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**REPORT ON THE
FIRST FIVE-YEAR PLAN
FOR DEVELOPMENT OF THE
NATIONAL ECONOMY OF THE
PEOPLE'S REPUBLIC OF
CHINA IN 1953-1957**

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People's Congress

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Deputies to the National People's Congress:

The State Council of the People's Republic of China is submitting a bill on the First Five-Year Plan for Development of the National Economy to the second session of the First National People's Congress. On behalf of the State Council, I hereby submit this report on the plan to the current session of Congress.

The draft First Five-Year Plan for Development of the National Economy of the People's Republic of China was drawn up under the direct leadership of the Central Committee of the Communist Party of China and Chairman Mao Tse-tung. It was discussed and in the main approved by the National Conference of the Communist Party of China in March 1955. After revising the draft plan on the basis of opinions expressed in discussions at the Party's National Conference, the Central Committee of the Party submitted it to the State Council. The State Council in session has discussed and unanimously approved the draft plan, and now submits it to the second session of the First National People's Congress for examination and adoption.

It was on the basis of a restored national economy that we began to carry out our country's First Five-Year Plan. Before the liberation of our country, our national economy was ruthlessly plundered and seriously damaged by imperialism and the reactionary Kuomintang clique; the people lived a life of untold misery. The great revolution of the Chinese people overthrew the rule of imperialism and the Kuomintang reaction and established a people's democratic dictatorship led by the working class and based on the worker-

peasant alliance. It turned key branches of the economy into the property of the entire people—these include the big banks, big industrial and commercial enterprises and railways originally monopolized by imperialism and the bureaucrat-comprador bourgeoisie—and it transformed landlord ownership of land into peasant ownership. This made it possible for the people of our country to build a new life for themselves at a rapid rate.

We successfully completed restoration of the national economy in the three years following the founding of the People's Republic of China. We did this by relying on the splendid initiative and creative spirit of the working class and the masses of the people in the front line of labour. We did this by relying on the victories of the whole nation on various fronts, such as in the reform of the agrarian system, the movement to resist American aggression and aid Korea, the suppression of counter-revolutionaries, and the *san fan* campaign (the movement against corruption, waste and bureaucratism) and *wu fan* campaign (the movement against bribery of government workers, tax evasion, theft of state property, cheating on government contracts, and stealing economic information for speculation). We did this by relying for guidance on the economic policy correctly laid down by the Communist Party of China and the Central People's Government which we carried out on the basis of the Common Programme. We did this with the support of the great Soviet Union and the People's Democracies.

In 1952, the year in which China completed the stage of economic recovery, the total value of output of industry and agriculture, including the value of output of industry, handicrafts, agriculture and subsidiary rural production (all values here and below being cal-

culated in terms of constant prices of 1952), registered a 77.5 per cent increase compared with 1949. Modern industry showed an increase of 178.6 per cent, and agriculture (including subsidiary rural production) an increase of 48.5 per cent. With few exceptions the output of all major industrial and agricultural products surpassed peak pre-liberation levels. Because its restoration and development was relatively swift, the share of modern industry in the total value of output of industry and agriculture went up from 17 per cent in 1949 to 26.7 per cent in 1952. Transport and posts and telecommunications were restored and expanded together with industry and agriculture.

The tremendous achievements of the state in balancing revenue and expenditure and stabilizing commodity prices had a marked influence on the rapid rehabilitation of the national economy and improvement of the people's life.

We embarked on the transformation of our national economy while still in the period of rehabilitation. Step by step the socialist sector of the economy strengthened its leading role. In this period, while both state and private industry registered advances, the rate of advance of state industry far exceeded that of private industry, and in addition a section of private industry was converted into joint state-private enterprise. Hence, in the total value of industrial output (including that of modern industry and handicraft workshops but excluding that of handicraft co-operatives and individual handicraftsmen) the proportion represented by state, co-operative and joint state-private industrial enterprises rose from 36.7 per cent in 1949 to 61 per cent in 1952, while the proportion represented by private industry dropped from 63.3 per cent in 1949 to 39 per cent in 1952.

In this same period, the mutual-aid and co-operative movement in agriculture also made some initial advances. In 1952, trade handled by state concerns and co-operatives amounted to 63 per cent of the volume of wholesale trade on the domestic market and 34 per cent of the volume of retail sales. Foreign trade was brought under state control.

In general, during the period of rehabilitation, while our people's democratic dictatorship steadily consolidated itself, the socialist sector greatly strengthened its leading role and position in the national economy. This opened up possibilities for the introduction of a planned economy in our country, and set before us the task of drawing up a long-term plan for the development of the national economy.

The whole-hearted, unselfish and fraternal assistance of the Soviet Union is an important factor in enabling us to carry out our planned economic construction at a rapid rate. The assistance given us by the Soviet Government and people in designing new enterprises and supplying equipment essential for our construction, as well as a whole range of other items of aid, is an expression of the noblest and loftiest spirit of internationalism. As Stalin declared, "The point is not only that this assistance is the cheapest possible and technically superb. The chief point is that at the bottom of this co-operation lies a sincere desire to help one another and to promote the economic progress of all."

China's First Five-Year Plan covers the period from 1953 to 1957. The work of drawing up the draft plan had already begun in 1951, and, after being repeatedly supplemented and revised, was completed in February 1955, two years after the First Five-Year Plan had actually been put into operation. This was because our natural resources had been insufficiently

studied, we had little statistical data on hand, we had to deal with many different forms of economy existing side by side, we lacked experience in drawing up long-term plans, and our experience in construction was very inadequate. Furthermore, taking the situation of our country as a whole, it was not until the end of July 1953 that an armistice was brought about in the war to resist American aggression and aid Korea which had begun in 1950. The second group of 91 projects constituting the main portion of the 156 industrial projects which the Soviet Union is helping us to build, was not finally decided upon until May 1953. All this attests to the fact that, in the past two years, the only course was to draw up a long-term plan while we were actually engaged in construction. Nevertheless, no time was lost in construction. This was because we had already completed the restoration of the national economy in 1952, and, starting from 1953, we were already able every year to draw up and execute yearly plans for the development of the national economy. In addition, as early as 1950, a decision was made and construction begun one after another on the first group of 50 projects which the Soviet Union was to help us build. China's First Five-Year Plan stands all the closer to reality and its successful completion is more assured precisely because we have done extensive preparatory work and acquired considerable experience in the course of carrying out the two yearly plans.

Now permit me to make the following explanatory remarks on our country's First Five-Year Plan for Development of the National Economy.

I. THE FUNDAMENTAL TASK OF THE STATE IN THE PERIOD OF TRANSITION

China's First Five-Year Plan for Development of the National Economy is based on the general line of the Communist Party of China in the period of transition, as put forward by the Central Committee of the Party in 1952, that is, on the basis of the fundamental task of the state in the period of transition.

The Chinese revolutionary movement led by the Chinese Communist Party falls into two stages, the new democratic revolution and the socialist revolution. The first stage of the Chinese revolution had as its task the overthrow of the rule of imperialism, feudalism and bureaucrat-capitalism in China by the broad masses of the people led by the working class, and the transformation of a semi-colonial and semi-feudal society into a new democratic society. This task has already been successfully accomplished. The founding of the People's Republic of China marked the basic completion of the first stage of the Chinese revolution and the beginning of its second stage. The task in the second stage of the Chinese revolution is to build a socialist society in China.

As Marxism-Leninism teaches, no state can build a socialist society at one stroke; there is a necessary period of transition from the time the proletariat overthrows the rule of reaction and the revolution is victorious, to the time a socialist society is attained. Lenin pointed out that after seizing state power the proletariat must use its ruling political position to carry out the economic tasks of socialism. In order to fulfil those tasks, it is essential not only to develop an industrial structure with heavy industry as its base, but also to bring forward the whole national economy,

including agriculture, on to the technical basis of large-scale production and transform the many economic forms of which it is composed, into a single, socialist economy.

Proceeding from Lenin's theory concerning the transition period, the Central Committee of the Communist Party of China headed by Comrade Mao Tse-tung summed up the experience gained since the founding of the People's Republic of China and in 1952 put forward the general line of the Party for the period of transition. This general line was later adopted by the First National People's Congress in 1954 at its first session, and incorporated into our Constitution as the fundamental task of the state during the transition period.

The Preamble to the Constitution states: "From the founding of the People's Republic of China to the attainment of a socialist society is a period of transition. During the transition the fundamental task of the state is, step by step, to bring about the socialist industrialization of the country and, step by step, to accomplish the socialist transformation of agriculture, handicrafts and capitalist industry and commerce." Article 4 of the Constitution also provides: "The People's Republic of China, by relying on the organs of state and the social forces, and by means of socialist industrialization and socialist transformation, ensures the gradual abolition of systems of exploitation and the building of a socialist society."

Socialist industrialization is the keystone for building socialism in our country; the socialist transformation of agriculture and handicrafts and capitalist industry and commerce are two essential elements in this undertaking. The three are inseparable.

Large-scale industry provides the material basis for the building of a socialist society. Lenin always

taught us: "The real and only basis upon which we could consolidate our resources for the creation of socialist society is large-scale industry." Without large-scale industry we shall not be able to pass on to socialism or transform agriculture and the whole national economy with modern technique.

As everyone knows, our country was a colonial, semi-colonial and semi-feudal state under the rule of imperialism; it had a backward economy. Before liberation, modern industry constituted only a very small fraction of our national economy; it consisted mainly of light industries, most of which were processing enterprises relying on imported raw materials. Our heavy industrial base was even weaker. What heavy industries there were mainly consisted of machine maintenance shops set up in China by the imperialist countries, or mines and factories which supplied the imperialist countries with raw materials and semi-processed goods. This very backward state of our national economy, occasioned by the absence of a heavy industrial base, caused our country and people for over a century to suffer weakness and poverty, and aggression and oppression by the imperialist powers. This backwardness was immeasurably worsened as a result of more than twenty years' rule of the reactionary Kuomintang clique headed by Chiang Kai-shek. All they were interested in was to pillage the people in a vicious and unrestrained way. They did not build up any industry worthy of the name. They boasted for a long time about building an iron and steel plant with an annual capacity of 100,000 tons. Years went by but even this small-scale project remained on paper though their families became astonishingly richer. Up to the eve of the War of Resistance to Japanese Aggression, the entire country, excluding the Northeast, turned out annually

only about 40,000 tons of steel, and this was produced by plants erected towards the end of the Ching (Manchu) Dynasty or during the rule of the Northern Warlords. After occupying the Northeast and particularly in the period between 1939 and 1943, Japanese imperialism, aiming to plunder our resources and extend the war of aggression, expanded the iron and steel industry there. This, of course, was a purely colonial industry subordinated to the Japanese industrial system. Besides, many of these factories and mines were later seriously damaged by the reactionary Kuomintang clique. The situation was just as Chairman Mao Tse-tung stated in his book *On Coalition Government*, written in 1945: "China's industry cannot be developed unless the country is independent, free, democratic and united." Since the people took state power into their own hands after the liberation of their country, such an independent, free, democratic and united new China has emerged, and an industrialized new China is in sight. This new China was won as a result of a protracted and bloody struggle by the Chinese people led by the working class; that is why the industrialization of our country can only be socialist industrialization. Only socialist industrialization can resolve the contradiction between an advanced type of state power and a backward economy such as exists in our country, and turn an impoverished, weak China into a prosperous, mighty China.

Socialist industrialization is the central task of our country during the transition period, and the main link in socialist industrialization is to give priority to the development of heavy industry. Only by building a powerful heavy industry, that is, by establishing modern iron and steel, machine-building, power, fuel, non-ferrous metals and basic chemical industries, etc., can we produce various kinds of

modern industrial equipment, and make possible the technical reconstruction of heavy industry itself as well as the light industries. Only thus can we supply agriculture with tractors and other modern farm machines and with sufficient quantities of fertilizers, and make possible the technical reconstruction of agriculture. Only thus can we provide up-to-date communication and transport facilities, such as locomotives, motor vehicles, steamships, aircraft, etc., and bring about the technical reconstruction of transport. And only so can we manufacture modern weapons to arm our fighters who defend the motherland, and consolidate our national defences. It is also only on the basis of the development of heavy industry that we will be able to achieve big advances in the technique of production and in labour productivity, that we will be able to bring about a steady increase in the output of agriculture and the consumer goods industries, and assure a constant rise in the living standards of the people.

Thus we can see that the policy of giving priority to the development of heavy industry is the only correct policy to make our country strong and prosperous and to create happiness for our people. By carrying out this policy, we will lay a strong material basis for socialism in our country.

Some people say that our international environment today is not like that of the Soviet Union after the victory of the October Revolution, and since we now have the Soviet Union and the People's Democracies to assist us, they ask, why should we be in a hurry to industrialize?

We believe such views to be wrong. At home, we are faced with a backward national economy, and abroad, with encirclement by vicious imperialism. If we did not carry out socialist industrialization, we

would not be able to build a socialist society in our country, we would be in danger of being powerless in the face of imperialist aggression, of being unable to maintain our economic and political independence. To bring about the socialist industrialization of China and develop the national economy is clearly the proper duty of the Chinese people themselves. The assistance rendered us by the Soviet Union and the People's Democracies is a favourable factor in carrying out socialist industrialization in our country. Enjoying this advantage, it behooves us to work all the harder in construction and do our best to fulfil the task of socialist industrialization more rapidly.

To build socialism, we must solve the contradiction between small-peasant economy and socialist industrialization. Socialism cannot be built on the basis of a small-peasant economy; it must have a foundation of large-scale industry and large-scale collective farming. Socialist industrialization demands that the scattered and backward mode of production in agriculture be changed to a collective and advanced mode of production, that more grain and industrial crops be produced on the basis of collectivization and mechanization, and also that individual handicrafts take the path of co-operation. If they are to shake off poverty and suffering once and for all, the broad masses of peasants must give up the way of small-scale production which they followed for so long in the past, and take to the new way of collectivized and mechanized socialist agriculture. We must, therefore, bring about the socialist transformation of agriculture and handicrafts; that is, in accordance with the provisions of Articles 8 and 9 of the Constitution, encourage the individual peasants to organize producers', supply and marketing, and credit co-operatives on a voluntary basis, and encourage individual

handicraftsmen and other non-agricultural individual working people to organize producers' co-operatives and supply and marketing co-operatives.

Some people take the view that since the Chinese peasants were given land in the course of the land reform and have been very enthusiastic in production, there is no reason why co-operation should be introduced. We consider this view wrong too. The reform of the feudal agrarian system was only a first step in the liberation of the peasants, because, since they were still farming small plots in a scattered manner and could not use modern farm machinery, they were not able to develop production further and protect themselves from natural calamities, nor were they able to fend off exploitation by urban and rural capitalists, not to mention, of course, major natural calamities or accidents which might happen to them. Only when agriculture and handicrafts turn gradually from individual to collective management, and on this basis equip themselves with modern technique, can the productive forces of agriculture be greatly developed, its capacity for reproduction increased and output raised to meet the demands of the nation's socialist industrialization. Only thus can the base for the development of capitalism be limited and finally eliminated, and the peasant masses and handicraftsmen finally free themselves from poverty and suffering and attain a life of abundance.

To build socialism, we must of course resolve the contradiction between capitalist and socialist economy. The capitalist system of private ownership of the means of production hinders the further development of the productive forces of our country. The anarchy of capitalist economy runs counter to the planned development of socialist economy. With the planned development of the national economy, the contradiction

between capitalist and socialist economy becomes more clear-cut and acute. That is why we must carry through the socialist transformation of capitalist industry and commerce. This means, as laid down in Article 10 of the Constitution, that: "The policy of the state towards capitalist industry and commerce is to use, restrict and transform them. The state makes use of the positive sides of capitalist industry and commerce which are beneficial to national welfare and the people's livelihood, restricts their negative sides which are not beneficial to national welfare and the people's livelihood, encourages and guides their transformation into various forms of state-capitalist economy, gradually replacing capitalist ownership with ownership by the whole people; and this it does by means of control exercised by administrative organs of the state, the leadership given by the state sector of the economy, and supervision by the workers."

Some people harbour the hope that socialist and capitalist economy can go on existing side by side in the country over a protracted period, that socialist transformation of capitalist industry and commerce will not be carried out, or at least will not be carried out just at present. We also consider this way of thinking wrong. It is impossible for socialism and capitalism, whose systems of productive relations are anti-thetical, to develop alongside each other in a country without mutual interference. We can either take the path of socialism, or the path of capitalism; but the Chinese people will never allow the latter path to be taken. That we are taking the path to socialism is in accord with the natural law of historical development of our country. In the actual political and economic situation of China at the present time, it is not only necessary, but also possible, to transform capitalist industry and commerce through various

forms of state-capitalism, and enable them to turn step by step into socialist enterprise. This has been proved by actual experience in the past five years.

It is clear from the foregoing that in order to build socialism, we must make a vigorous effort to bring about socialist industrialization, and simultaneously, the socialist transformation of agriculture, handicrafts and capitalist industry and commerce. But does this mean that we can complete the work of socialist industrialization and socialist transformation within the period of the First Five-Year Plan? No. According to Marxism-Leninism, the transition to socialism should be looked upon as a whole historical period. China is a big country with complex conditions; our national economy was originally very backward, with a small-peasant economy embracing over one hundred and ten million households and an enormous amount of handicraft production. Furthermore, capitalist industry and commerce occupy a fairly large proportion of the national economy. That is why the socialist industrialization and socialist transformation of our country is a Herculean task, requiring a comparatively long time. In the actual conditions of our country, it will take, not counting the three-year rehabilitation period, approximately 15 years, that is, about three five-year plans, to fulfil this fundamental task of the transition period. As Chairman Mao Tse-tung has said, we may, in the main, attain a socialist society in perhaps 15 years of intense work and arduous construction, but to build a powerful country with a high degree of socialist industrialization will require decades of effort, say, 40 or 50 years, or the whole second half of this century.

In building socialism, we must take practical steps based on existing realities in our country so as gradually to achieve socialist industrialization and

socialist transformation. In industrial construction, it is necessary to proceed according to the availability of funds and technical forces and keep to the policy of concentrating our main efforts on priority projects. All thinking and action based on the assumption that every construction project must necessarily be large-scale and absolutely modern without regard to its degree of importance or urgency is harmful to the accomplishment of socialist industrialization. It usually takes about five years to build a modern heavy industrial enterprise, which calls for a whole series of laborious undertakings and well co-ordinated support from many quarters. Before we can achieve industrialization, we must build many such industrial enterprises equipped with up-to-date technique, so how can we expect to achieve success in a short time and without much effort?

Co-operation in agriculture and handicrafts is also no light task to be done in a short time. This is a major achievement which entails revolutionizing the mode of production and mode of life of hundreds of millions of peasants and tens of millions of handicraftsmen. For the labouring peasants and handicraftsmen to give up finally the way of the individual small producer and step out on to the new highroad of socialist development calls for a step-by-step process, a fairly long period of hard work and certain necessary transitional forms of organization. To bring about co-operation in agriculture and handicrafts demands not only that the economy as a whole must be placed in a position to give aid to agriculture and handicrafts, not only that the peasants and handicraftsmen should be literate and informed, but also that the peasants and handicraftsmen should personally experience the advantages of co-operation. All this needs time. Similarly, the transformation of

capitalist industry and commerce should also be accomplished step by step as it passes through certain necessary transitional forms.

We have won a new China. We must redouble our efforts in economic construction to protect and consolidate this new China. This construction is, in the main, a task of socialist industrialization.

On the eve of the October Revolution Lenin said to the Russian people:

“Either it (humanity—Ed.) perishes, or it entrusts its fate to the most revolutionary class for the swiftest and most radical transition to a superior mode of production.”

This is also true in China. Before the liberation Chairman Mao Tse-tung said: “Without industry, there can be no solid national defence, no people’s welfare and no national prosperity and power.” We cannot rely for a living solely on a backward small-peasant economy. We must repudiate the way of capitalism which drives the masses into bankruptcy. To avoid danger in their advance, the only way forward for the emancipated people of China is to work for the accomplishment of socialist industrialization, and on this basis to gradually transform the country’s individual farming, individual handicrafts and capitalist industry and commerce, in line with the principles of socialism. Such are our tasks in the transition period. We will carry them out with a confidence founded on the successes we achieved during the rehabilitation period and in the initial two years of the First Five-Year Plan.

II. OUTLINE OF THE FIRST FIVE-YEAR PLAN

The general task set by China's First Five-Year Plan was determined in the light of the fundamental task of the state during the transition period.

It may be summarized as follows: We must centre our main efforts on industrial construction; this comprises 694 above-norm¹ construction projects, the core of which are the 156 projects which the Soviet Union is designing for us, and which will lay the preliminary groundwork for China's socialist industrialization; we must foster the growth of agricultural producers' co-operatives, whose system of ownership is partially collective, and handicraft producers' co-operatives, thus laying the preliminary groundwork for the socialist transformation of agriculture and handi-

¹To facilitate management and control of major capital construction projects, the state has, in the light of actual conditions in China, set an "investment norm" for every category of capital construction. Any construction project, whether it is new, rebuilt or restored, is classified as "above-norm" or "below-norm" according to whether its invested capital is above or below the "normal" figure. In industry, for example, the investment norm for the iron and steel, motor vehicle, tractor, shipbuilding, and locomotive and rolling stock manufacturing industries is ten million yuan. For the non-ferrous metals, chemical and cement industries it is six million yuan. For power stations, power transmission lines and sub-stations, the coal-mining, oil extracting, oil refining, machine-building (not including communications equipment) industries, motor vehicle and ship maintenance works, and textiles (including printing and dyeing) it is five million yuan. For the rubber, paper-manufacturing, sugar-refining, cigarette-making and pharmaceutical industries it is four million yuan. For the ceramics, food-processing (except for sugar-refining) and other light industries it is three million yuan.

crafts; and, in the main, we must incorporate capitalist industry and commerce into various forms of state-capitalism, laying the groundwork for the socialist transformation of private industry and commerce.

The implementation of our First Five-Year Plan is an important step in carrying out the fundamental task of the state during the transition period. The plan provides for construction on a considerable scale and a very rapid development of all branches of the national economy.

The total outlay for the country's economic construction and cultural and educational development during the five-year period will be 76,640 million yuan, or the equivalent in value of more than 700 million taels¹ of gold. Such an enormous investment in national construction would have been absolutely inconceivable in the past. This is possible only for a government led by the working class and working whole-heartedly in the interests of the people.

Investments in capital construction will amount to 42,740 million yuan, or 55.8 per cent of the total outlay for economic construction and cultural and educational development during the five-year period. Of the remaining 44.2 per cent, or 33,900 million yuan, part will be spent on work occasioned by the needs of capital construction, such as prospecting resources, engineering surveying and designing, stockpiling of equipment and materials, etc. Part will be spent to develop industrial production, transport, and posts and telecommunications, including such items as overhaul of equipment, technical and organizational improvements in production, trial manufacture of new products, purchase of miscellaneous fixed assets, etc.; another part will serve as circulating capital for the

¹One tael=1.1023 ounces.

various economic departments; and still another part will go to funds allocated to all economic, cultural and educational departments for operating expenses and for the training of specialized personnel.

The sum of 42,740 million yuan for investments in the five-year capital construction programme is distributed as follows:

Industrial departments, 24,850 million yuan, or 58.2 per cent of the total amount to be invested;

Agriculture, water conservancy and forestry departments, 3,260 million yuan, or 7.6 per cent;

Transport, posts and telecommunications departments, 8,210 million yuan, or 19.2 per cent;

Trade, banking and stockpiling departments, 1,280 million yuan, or 3 per cent;

Cultural, educational and public health departments, 3,080 million yuan, or 7.2 per cent;

Development of urban public utilities, 1,600 million yuan, or 3.7 per cent;

Other items, 460 million yuan, or 1.1 per cent.

The foregoing percentages of distribution of capital investments show that the emphasis is on industry. They likewise show that in the distribution of investments the growing needs of departments other than industry have also been taken into account.

The proportion of state investments in agriculture is not large in our First Five-Year Plan, because agriculture cannot yet be extensively mechanized and it is not yet possible to undertake bigger projects in water conservancy and forestry on a large scale in this five-year period. Furthermore, capital investments in agriculture, water conservancy and forestry departments do not include relief funds for rural areas, agricultural loans and other items, nor do they include capital invested in production by the peasants themselves. If all these items are taken into account, the

total amount of capital used to develop agriculture in the five-year period comes close to the total investment in industry.

Capital investment in transport in our First Five-Year Plan is also not large, but it can, in the main, satisfy the needs of the First Five-Year Plan period and the initial stage of the Second Five-Year Plan.

There are 694 above-norm projects, including those which the Soviet Union is helping China to build, among the new projects and reconstruction projects under our five-year programme of capital construction in industry. If we add to these the 252 projects in agriculture, water conservancy and forestry, the 220 projects in transport, posts and telecommunications, the 156 projects in culture, education and public health, the 118 projects in urban public utilities, and the 160 projects in other spheres, the total number of above-norm capital construction projects reaches 1,600. In addition to these, there are more than 6,000 below-norm construction projects, of which about 2,300 are in industry. In industry, 455 above-norm projects can be completed within the present five-year period, or a total of 1,271 if those in other spheres are included. The bulk of the below-norm projects can also be completed in this period. The completion of these projects will vastly increase the productive force of China's industry; it will assist the development of agriculture, increase transport capacity; and expand cultural and educational work.

In the sphere of industry, we list below figures showing the ultimate increases in annual production capacity of principal industrial items when all the above-norm and below-norm construction projects started in the First Five-Year Plan period are completed; and figures showing the increases in annual

capacity by the end of the First Five-Year Plan period when part of them are completed:

Pig iron: ultimate increase in annual capacity, 5,750,000 tons; increase in annual capacity by the end of the five-year period, 2,800,000 tons.

Steel: ultimate increase in annual capacity, 6,100,000 tons; increase in annual capacity by the end of the five-year period, 2,530,000 tons.

Electric power: ultimate increase in annual capacity, 4,060,000 kilowatts; increase in annual capacity by the end of the five-year period, 2,050,000 kilowatts.

Coal: ultimate increase in annual capacity, 93,100,000 tons; increase in annual capacity by the end of the five-year period, 53,850,000 tons.

Metallurgical and mining machinery: ultimate increase in annual capacity, 190,000 tons; increase in annual capacity by the end of the five-year period, 70,000 tons.

Power-generating equipment: ultimate increase in annual capacity, 800,000 kilowatts. All projects will be completed within the five-year period.

Lorries: ultimate annual capacity, 90,000 vehicles; annual capacity by the end of the five-year period, 30,000 vehicles.

Tractors: ultimate annual capacity, 15,000, to be reached in 1959.

Chemical fertilizers: ultimate increase in annual capacity, 910,000 tons; increase in annual capacity by the end of the five-year period, 280,000 tons.

Cement: ultimate increase in annual capacity, 3,600,000 tons; increase in annual capacity by the end of the five-year period, 2,360,000 tons.

Cotton spindles: ultimate increase, 1,890,000 spindles; portion to be put into operation in the five-year period, 1,650,000 spindles.

Machine-made paper: ultimate increase in annual capacity, 186,000 tons; increase in annual capacity by the end of the five-year period, 95,000 tons.

Machine-processed sugar: ultimate increase in annual capacity, 560,000 tons; increase in annual capacity by the end of the five-year period, 428,000 tons.

In the sphere of transport, more than 4,000 kilometres of new trunk railways and branch lines will be built in the five-year period. If to this is added the mileage of railways to be restored, reconstructed, or double-tracked, extended station spurs, and industrial and other special lines, the total length of the railway network will be increased by some 10,000 kilometres. Upwards of 10,000 kilometres of highways will be built or rebuilt with capital provided by the Central People's Government in the five-year period and over 7,000 kilometres will be opened to traffic. Four hundred thousand tons deadweight of new steamships will be acquired in the five-year period.

In the sphere of agriculture and water conservancy, 91 mechanized state farms and 194 tractor stations (both above-norm and below-norm) will be set up in the five-year period. During this period, 13 big reservoirs will be built. In addition, dredging of waterways and repairing of dykes will involve 1,300 million cubic metres of earth and masonry work and we will begin the engineering project to harness the Yellow River.

Buildings with a total floor space of about 150 million square metres will be constructed in the five-year period, including factory buildings, housing for factory and office workers, schools and hospitals.

The industrial construction programme is the core of our First Five-Year Plan and the construction of the 156 industrial projects to be built with Soviet aid

is in turn the core of the industrial construction programme. Within the period of the First Five-Year Plan, work will have begun on 145 of these 156 projects, while survey and designing work will have been carried out on the remaining 11 projects, which will go into construction in the period of the Second Five-Year Plan.

These industrial construction projects are large in scale and new in technique. Many of them are unprecedented in the history of Chinese industry. For example, in the eight-year period between 1953 and 1960, the integrated iron and steel works in Anshan, building on the basis of its original capacity, will complete, in the main, the construction or reconstruction of the following 48 major projects: 3 iron ore mines, 8 ore-dressing and sintering plants, 6 automatic blast furnaces, 3 modern steel-making plants, 16 rolling mills, 10 batteries of coke ovens, and 2 heat-resistant material shops. The latest achievements of Soviet technology will be utilized to the fullest possible extent in the building or reconstruction of these plants, mines and shops. When its reconstruction is completed, this integrated iron and steel works—the biggest of its kind in China—will increase its annual capacity to 2,500,000 tons of pig iron, 3,220,000 tons of steel and 2,480,000 tons of rolled steel. Its output of steel plates, sheets, tubes and other rolled steel of various specifications will, on the whole, be able to meet the country's requirements in the manufacture of locomotives, steamers, motor vehicles, tractors, etc. during the period of the First Five-Year Plan and the early years of the Second Five-Year Plan. Its annual output of rails of different specifications will be sufficient to lay more than 3,000 kilometres of railways.

Simultaneously with the reconstruction of the integrated iron and steel works in Anshan, construc-

tion will go ahead on two new integrated iron and steel works in Wuhan and Paotow. Fifteen thermal power stations each with a capacity of over 50,000 kilowatts are among the power plants to be built in the five-year period. After reconstruction the Fengman Hydro-electric Power Station will have a capacity of more than 560,000 kilowatts. Completion of these projects will vastly increase the supply of electric power in various regions.

Coal-mining enterprises to be built during the five-year period include 31 with a projected annual capacity (counting the original capacity) of more than one million tons of coal each. Among these, which include those designed in China, the annual capacity of the five biggest mining enterprises will reach the following levels by 1957: mines under the Fushun Mining Administration, 9,300,000 tons; mines under the Fuhsin Mining Administration, 8,450,000 tons; mines under the Kailan Mining Administration, 9,680,000 tons; mines under the Tatung Mining Administration, 6,450,000 tons; mines under the Huainan Mining Administration, 6,850,000 tons.

The First Motor Works will be completed in the present five-year period. When it reaches projected capacity, it will be able to provide transport with 30,000 lorries a year. The Second Motor Works, with double the capacity of the first, will also begin construction within the period of the First Five-Year Plan. These two plants will lay the foundation for China's motor car industry.

When the tractor plant, which will go into construction in the present five-year period, is completed in the period of the Second Five-Year Plan, China will be able to produce annually 15,000 54-h.p. tractors to meet the needs of agriculture.

When the two heavy machinery plants (one designed for us by the Soviet Union and the other by ourselves) which begin construction in the present five-year period are completed, they will be able, according to their projected capacities, to produce every year a complete set of iron smelting, steel-making, rolling mill and coke oven equipment for an integrated iron and steel works with an annual capacity of 1,600,000 tons of steel.

When all the plants making power-generating equipment to be started in the five-year period are completed, China will be able to manufacture 12,000, 25,000 and even 50,000-kilowatt power-generating units to meet the requirements of electric power development in all branches of the national economy.

Many of our light industrial plants were designed and built by ourselves, and many of these are of considerable size. The three cotton mills which have been or will be built in our capital Peking, for instance, will be equipped with 230,000 spindles and more than 7,000 looms. In all, 39 textile mills of considerable size will be built in the five-year period.

Many of these new industrial construction projects are large in scale and so are many railway, highway and water conservancy projects.

For example, the Lanchow-Sinkiang Railway which traverses Kansu and Sinkiang Provinces, the Paochi-Chengtzu Railway connecting Northwest and Southwest China, the Yingt'an-Amoy Railway linking Kiangsi and Fukien Provinces, and the Chining-Erhlien Railway linking China, the Mongolian People's Republic and the Soviet Union which are being built in the present five-year period, not only have a long over-all mileage, but also involve stupendous engineering feats in crossing deserts and towering mountain ranges.

The Sikang-Tibet and Chinghai-Tibet Highways, construction of which was carried on in the present five-year period, were opened to traffic in 1954, and have a total length of over 4,300 kilometres. They cut through mountain ranges rising several thousand metres above sea level where there is scarcely a trace of human habitation. The engineering work involved was particularly difficult and massive in scale.

The project for the complete harnessing of the Huai River, which has been going ahead in the present five-year period, provides for four big reservoirs at Nanwan, Poshan, Futseling and Meishan. These will be capable of storing more than 3,800 million cubic metres of water. At the same time, flood-control and measures to deal with waterlogging will be carried out on the main tributaries of the Huai—the Hung-ho, Juho, Suiho and Peifei Rivers. The Kuanting Reservoir completed in 1954, with a storage capacity of about 2,300 million cubic metres of water, will play an important role in preventing floods on the lower reaches of the Yungting.

The permanent control of the Yellow River and multiple-purpose development of its resources will begin in the present five-year period. The Yellow River flows for more than 4,800 kilometres through seven provinces, with a drainage area of 745,000 square kilometres. In the past, it has caused more damage than any other river in the country. According to the master plan for its multiple-purpose utilization, dozens of dams will be built on its middle and lower reaches and on its main tributaries. Huge reservoirs capable of regulating its flow and big hydro-electric power stations will be erected at the Sanmen Gorge and four other sites. The work of drawing up the master plan for the permanent control of the Yellow River and multiple-purpose development of its

resources will be completed in the period of the First Five-Year Plan, and construction will begin on the river regulation and hydro-electric power installations at the Sanmen Gorge.

Three hundred and seventy-five thousand *mou*¹ of wasteland will be brought under cultivation at the Friendship State Farm built with direct Soviet assistance. This farm, equipped with large quantities of modern machinery and equipment presented by the Soviet Union, will play an important role as a model farm and pioneering venture in the mechanization of agriculture in China.

It is with direct Soviet aid that China will, in the present five-year period, begin construction for the peaceful utilization of atomic energy in the service of her national economy.

The examples listed so far are sufficient to show that we are now engaged in a great undertaking to build a happy life for the whole nation and generations yet to come. The fulfilment of the tasks of industrial and other construction laid down in our First Five-Year Plan will undoubtedly play a tremendous role in advancing China's socialist industrialization, and so remedy the economic backwardness of our country. This programme of socialist economic construction serves the long-term interests, the supreme interests, of the Chinese people as a whole.

During the period of the First Five-Year Plan, China's industrial productive force will be greatly enhanced by bringing into use the unused capacity of existing industrial enterprises as well as by putting new and reconstructed enterprises into operation. By 1957, the proportion of the output of modern industry

¹ One *mou*=one-fifteenth of a hectare or 0.1647 acre.

in the total value of industrial and agricultural output will have risen from 26.7 per cent to 36 per cent.

The gross value of China's industrial output will increase by 98.3 per cent in 1957 compared with 1952, giving an average increase of 14.7 per cent a year as compared with the year before. The increase in value of modern industrial output will be 104.1 per cent, with an average annual increase of 15.3 per cent. Such a rate of industrial development is obviously fairly rapid. It has never been, nor could it be achieved in capitalist countries.

Markedly increased output of various industrial products will be achieved in the five-year period. The actual output of major items in 1952 and the planned output for 1957 compare as follows:

Steel: 1,350,000 tons to 4,120,000 tons (3.1 times).

Electricity: 7,260 million kilowatt-hours to 15,900 million kilowatt-hours (2.2 times).

Coal: 63,530,000 tons to 113 million tons (1.8 times).

Generators: 30,000 kilowatts to 227,000 kilowatts (7.7 times).

Electric motors: 640,000 kilowatts to 1,050,000 kilowatts (1.6 times).

Lorries: 4,000 (not yet produced in 1952).

Cement: 2,860,000 tons to 6,000,000 tons (2.1 times).

Machine-made paper: 370,000 tons to 650,000 tons (1.8 times).

Cotton piece-goods: 111,630,000 bolts to 163,720,000 bolts (1.5 times).

Machine-processed sugar: 249,000 tons to 686,000 tons (2.8 times).

Some people may complain: Does it befit China's position as a big country that even after completing her First Five-Year Plan, her steel production will be

only around four million tons, lagging far behind the United States, Britain or even Japan?

We think that such people are looking only at one side of the question. The United States, Britain, Japan and other more industrialized countries all have nearly a century or more of industrial development behind them. We lag at least several decades and, in some cases, more than a century behind them in industrial development. It was only when the people took state power into their own hands that we were able to start planned construction.

It was only in 1907 that China built an iron and steel works at Hanyang. Steel production at that time was just a little over 8,500 tons. Even in 1933, steel production in China did not exceed 25,000 tons. Although this increased to over 400,000 tons in 1936, no less than 364,000 tons of this was produced in the Northeast which was occupied by the Japanese imperialists. The year 1943 marked the peak of iron and steel production before liberation, with an output of over 1,800,000 tons of pig iron and over 900,000 tons of steel, by far the greater part of which was produced in the Japanese-occupied Northeast. Because of the destruction caused by the Chiang Kai-shek reactionary clique, pig iron production dropped to only 246,000 tons and steel to 158,000 tons in 1949, the year in which the People's Republic of China was founded. All this shows what a wretched legacy we inherited from old China.

It was not until the whole country was liberated that the Chinese Communist Party and the Chinese people assumed the difficult task of remedying China's economic and cultural backwardness. In the short space of three years, the national economy was restored and even developed somewhat, and now, industrial output is to be doubled within five years.

We have no magic formula for working miracles. How can we catch up with the industrialized capitalist countries in five years? Stalin said that "the high rate of industrial development . . . was not to be confused with the level of industrial development." Our rate of industrial development will be very rapid, but as regards the level of industrial development, we shall still, for a considerable period, lag behind some capitalist countries. Therefore, we must set our pace to catch up with them. We can state with absolute certainty that we do not need a hundred years to reach or surpass their industrial level. A few decades will be enough. It will take us only five years to surpass what it had taken decades to achieve under reactionary rule in China. Can such a pace of industrial development be considered slow?

The industrialization that our country is striving to achieve is socialist industrialization, modelled on Soviet experience and carried out with the direct assistance of the Soviet Union and the People's Democracies. It is not capitalist industrialization. Therefore, our industry, particularly those branches producing means of production, is capable of rapid development. As provided for in the First Five-Year Plan, investments in industries producing means of production account for 88.8 per cent of the total capital investment in industry, while investments in consumer goods industries make up 11.2 per cent. At the same time, according to the plan, the value of output of means of production will grow by 126.5 per cent within the five-year period, and that of consumer goods, 79.7 per cent. Accordingly, the proportion of the value of output of means of production to the total value of industrial output will rise from 39.7 per cent in 1952 to 45.4 per cent in 1957, and the proportion of the

value of output of consumer goods will drop from 60.3 per cent in 1952 to 54.6 per cent in 1957.

Changes in the rates of growth of socialist and capitalist industrial production are also indicative of the socialist features of our industrial development. In the present five-year period, the value of output of state industry will increase by 130.1 per cent; co-operative industry will expand with great rapidity and so will joint state-private industrial enterprises which existed before the Five-Year Plan began. Within the five-year period, half of the capacity (measured in value of output) of private industrial enterprises will be incorporated into joint state-private industry. By 1957, therefore, the proportion of the value of output of the state, co-operative (including the processing plants of supply and marketing co-operatives and consumers' co-operatives but excluding handicraft producers' co-operatives) and joint state-private industries will rise to 87.8 per cent of the total value of the country's industrial output, while the proportion of the value of output of private industry will fall to 12.2 per cent. Furthermore, the major part of private industry will be engaged on government contracts for the manufacture and processing of goods and will thus be drawn into the orbit of state-capitalism.

The First Five-Year Plan sets suitable targets for increased agricultural output. In the five-year period, the total value of output of agriculture and subsidiary rural production is to increase by 23.3 per cent, an average rise of 4.3 per cent a year as compared to the year before.

According to the plan, the projected output of staple farm products for 1957 and the expected percentages of increase over 1952 are as follows:

Grain: 385,600 million catties,¹ an increase of 17.6 per cent.

Cotton: 32,700,000 *tan*,² an increase of 25.4 per cent.

Jute and ambary hemp: 7,300,000 *tan*, an increase of 19.7 per cent.

Cured tobacco: 7,800,000 *tan*, an increase of 76.6 per cent.

Sugar-cane: 26,300 million catties, an increase of 85.1 per cent.

Sugar-beet: 4,270 million catties, an increase of 346.4 per cent.

Oil-bearing crops: over 118 million *mou* will be sown, an increase of 37.8 per cent over the acreage in 1952.

One of the vital tasks of the Five-Year Plan is to overcome the excessive lag in the development of agriculture as compared with the development of industry. Under reactionary Kuomintang rule, China's agriculture not only made no headway but, on the contrary, suffered heavy damage. In 1936, grain output was 300,000 million catties. From that time on, it decreased almost every year until 1949 when it fell to only 226,000 million catties. Cotton output fell to 8,800,000 *tan*. After liberation, it took only three years for our country to reach a grain output of 327,800 million catties in 1952 and a cotton output of 26 million *tan*, thus exceeding the highest pre-liberation annual output in both crops.

The five-year plan for agriculture now provides for further increases over the 1952 base figures quoted above. In view of actual conditions in our country at the present time this growth in agriculture cannot

¹ One catty=0.5 kilogramme or 1.1023 lb.

² One *tan*=0.05 metric ton or 0.0492 long ton.

be considered too slow, and we should strive our hardest to reach and surpass the targets set.

The agricultural producers' co-operative provides the basis for increasing agricultural output during the period of the First Five-Year Plan; it is also the only path along which the small-peasant economy can undergo socialist transformation. By 1957, about one-third of all the country's peasant households will have joined agricultural producers' co-operatives in their elementary form.

During the period of the First Five-Year Plan, transport and posts and telecommunications will be developed in proportion to keep pace with the expansion of industry and agriculture and the growing need for communications facilities. By 1957, railway freight mileage will reach 121,000 million ton-kilometres, or double the 1952 figure; railway passenger mileage will reach 32,000 million passenger-kilometres, or 59.5 per cent above the 1952 figure. Freight mileage of inland shipping will reach 15,300 million ton-kilometres, or 4.2 times that of 1952; passenger mileage of inland shipping will reach 3,400 million passenger-kilometres, a 78.7 per cent rise over 1952. Freight mileage of coastwise shipping will reach 5,750 million ton-nautical miles, or 2.9 times the 1952 figure. Passenger mileage of coastwise shipping will reach 240 million passenger-nautical miles, a rise of almost 140 per cent. Motor freight mileage will reach 3,200 million ton-kilometres, or 4.7 times as much as in 1952; motor bus passenger mileage will reach 5,700 million passenger-kilometres, or nearly treble the 1952 figure. Freight mileage of civil airlines will reach 8,050,000 ton-kilometres, or 3.3 times as much as in 1952. The total length of postal routes will reach 1.97 million kilometres, an increase of 45.2 per cent over the 1952 figure. There will be some

expansion of other postal and telecommunication services.

On the basis of the growth and changes in the proportions of various branches of industry and agriculture indicated above, the total value of retail sales of commodities of all kinds will reach 49,800 million yuan in 1957, about 80 per cent more than in 1952. The breakdown figures show that the value of state retail trade will increase by 133.2 per cent while that of co-operative trade will increase by 239.5 per cent. As the process of socialist transformation develops during the five-year period, over half of the originally existing private business enterprises will be incorporated into various forms of state-capitalism and co-operative forms of small business organized by petty traders and pedlars. Taken together, the retail turnover of these two latter types of trade and of private commerce will still register a net increase during the five-year period. By 1957, state and co-operative trading operations will account for 54.9 per cent of the volume of all retail trade; various forms of state-capitalism and co-operative forms of small business, 24 per cent; and private commerce, 21.1 per cent.

There will be considerable progress in the fields of culture, education and scientific research during the five-year period. In 1957, higher educational institutions will enroll 434,000 students, a 127 per cent increase over 1952; senior middle schools will enroll 724,000 students, a 178 per cent increase over 1952; junior middle schools will enroll 3,983,000 students, a 78.6 per cent increase over 1952; primary schools will enroll 60,230,000 pupils, an 18 per cent increase over 1952. Over 70 per cent of the country's school-age children will be attending primary school in 1957.

There will be a considerable expansion of scientific research during the five-year period. Twenty-three new research establishments will be added to the Academia Sinica alone, with 3,400 more research staff members. In the fields of publishing, broadcasting, literature and arts, the cinema, and popular cultural activities, comparatively rapid progress is also planned.

The Five-Year Plan makes appropriate provision for raising the people's material standards of living. In the five-year period, there will be an increase of 4.2 million in the number of employed; there will be a 33 per cent rise in average money-wages for factory and office workers; the funds disbursed by state enterprises and state organs for labour insurance, medical care, welfare services and cultural and educational facilities for their personnel will total over 5,000 million yuan; 46 million square metres of housing will be built by the state for factory and office workers.

Living standards of the rural population will also be gradually improved in the five years. With the expansion of agricultural output and the increased trend to commodity crop production, the purchasing power of the rural population will be nearly doubled. The state will allocate certain sums for the relief of peasants and other working people stricken by natural calamities, to tide them over difficulties in production or livelihood.

Considerable headway will be made in the field of public health during the five-year period. There will be 77 per cent more hospital beds and 74 per cent more doctors. The services of doctors of classical Chinese medicine will be more fully utilized.

It is clear that fulfilment of the First Five-Year Plan will bring about enormous changes in China's national economy. Swift development of the country's

industry, particularly its heavy industry, during the five-year period, will begin to alter the face of our national economy and lay the preliminary groundwork for socialist industrialization. The rapid development of co-operative organization in agriculture and handicrafts in this period will lay a preliminary groundwork for the socialist transformation of agriculture and handicrafts. Again, in this five-year period, capitalist industry and commerce will gradually develop towards state-capitalism through such forms as incorporation into joint state-private enterprises, the placing of government contracts with private enterprise for the manufacture and processing of goods, the distribution of commodities on a commission basis by merchants acting as agents of the state, and the private retailing at fixed prices of commodities purchased from state wholesalers. A foundation will thus be laid for the socialist transformation of private industry and commerce. There is no doubt that these changes will result in the further strengthening of the people's democratic dictatorship in our country, the strengthening of our national defences and the creation of conditions for further improvement of the material and cultural well-being of the people of all nationalities.

The successful fulfilment of the First Five-Year Plan is a great undertaking. It will change the destiny of our country and enhance the well-being of our people. It can be said that the First Five-Year Plan is the first such long-term plan to make our country prosperous and strong and our people happy, a plan whose fulfilment will also increase the strength of the world camp of peace and democracy.

The completion of the First Five-Year Plan cannot mean, of course, the accomplishment of every task in every aspect of the nation's economic development. The construction of many important projects started

in the First Five-Year Plan will have to be completed in the course of the Second Five-Year Plan; others will play an important role in production only in that latter period.

In the industrial field, even by the end of the First Five-Year Plan period, our machine-building industry will still not have reached a level and capacity able to satisfy the demands of technical reconstruction in every branch of the national economy. We shall still not be able to manufacture many types of heavy or precision machinery and equipment. It will also not be possible at that time to effect a radical improvement in the retarded state of certain branches of industry such as petroleum. As regards geographical distribution, although not a few new industrial enterprises will already have been built in the interior, we will still not have eradicated the irrational concentration of industrial enterprises in certain particular areas or in the coastal areas.

In agriculture, the socialist transformation of small-peasant economy will have been carried out only to the extent that about a third of the country's peasant households will have organized elementary forms of co-operatives; large-scale reconstruction of agriculture on a new technical basis will not have begun yet, and the lag of agriculture behind industry will not yet have been overcome completely. We will only have taken the first step in the socialist transformation of capitalist economy, a process which will take a long time to complete.

In the sphere of culture, the level of our science and technology will still fall short of requirements for the development of the national economy; the educational level of the broad masses of people will not yet be high; and there will still be large numbers of illiterates. It will still be impossible to completely

eliminate unemployment, a legacy of old China, and to make full use of surplus labour power. The solution of all these problems requires continued effort in the periods of the Second and the Third Five-Year Plans.

III. SOME QUESTIONS ON THE FIRST FIVE-YEAR PLAN

1. CAPITAL CONSTRUCTION IN INDUSTRY AND TRANSPORT

Now I would like to make some explanatory remarks on certain questions of capital construction in industry and transport. These concern the scale of capital construction, the ratio of investment between light and heavy industries, co-ordination between large, medium and small enterprises, geographical distribution of industry, the fixing of standards in capital construction, and the guaranteeing of the quality of engineering work.

A. THE SCALE OF CAPITAL CONSTRUCTION

In drawing up the Five-Year Plan, we repeatedly considered this question. We are of the opinion that, under present circumstances, the scale of construction already decided on is correct; it can and should be completed in the five-year period.

Some people express doubts as to whether such a scale of construction isn't too big. The reasons they advance are: China is still very backward and poor economically, the financial resources of the state are limited; our technical forces are insufficient, and we

still lack a clear picture of our natural resources. So we are not up to the task of carrying out such large-scale capital construction within a period of five years. Therefore, these people feel that the scale of construction should be whittled down. They argue: "Let's not set such a stiff pace; let's cut the task down a little," or, "It's too tough on the peasants, let's ease up on the industrialization programme."

We don't hold with such opinions. Our reason, as we said before, is that if we are to raise ourselves out of our very backward economic situation, we have no alternative but to speed up industrial construction. In fact, we are engaged in industrial development precisely because this will make it possible for the peasants to shake off their poverty. All industrial projects laid down in the Five-Year Plan are essential. Reducing them would slow down our entire socialist construction plan and throw the state's construction programme out of gear.

Can the financial resources of our country meet the needs of construction on such a scale? Our answer is "yes." It is possible because our revolution has provided us with the following sources of accumulation of funds:

(1) The Chinese people have overthrown the rule of the imperialists in China, and it is already impossible for the imperialists to plunder vast amounts of our people's wealth as they did in the past. This has provided an important source of accumulation for our national construction.

(2) The Chinese people have overthrown feudalism and converted the system of landlord ownership of land into peasant ownership. The peasants no longer pay high rents to landlords. They use the fruits of their labour to improve their own livelihood,

and can also use part of their gains to help national construction.

(3) The Chinese people have overthrown bureaucrat-capitalism and turned the property of bureaucrat-capitalists into the property of the whole people. Now the workers no longer produce for the profit of bureaucrat-capitalists but for the needs of the state and the people. This is another important source of accumulation for national construction.

(4) Although workers in private factories still have to give up part of the fruits of their labour in the form of profit for the capitalist owners, these capitalists can now get only what is laid down by law as their proper share of the profits. A considerable share of the profits of capitalist enterprises is either paid out as income taxes and reinvested in national construction, or is placed in reserve funds to expand production in those enterprises. Under the conditions of our people's democratic dictatorship, this also benefits the state and the people.

All this shows that it has never been a question of China's lacking funds for construction, but rather that large sums used to flow into the pockets of the imperialists, landlords and capitalists. It is only since the victory of the people's revolution that the people of our land are able to use the funds earned by their labour for national construction, to build a happy future for themselves and posterity. It behooves us to make wise and timely use of these funds.

It is true that we have insufficient technical forces and that we do not have a clear knowledge of many of our natural resources. But can we not build and learn at the same time, with the help of the Soviet Union and the People's Democracies? Can we not in the course of construction gradually master the necessary skills and obtain a clear knowledge of our re-

sources? In his *Strategic Problems of China's Revolutionary War* Chairman Mao Tse-tung wrote: "Reading books is learning, but application is also learning and the more important form of learning. . . . As a revolutionary war is the concern of the masses of the people, it is often undertaken without previous mastery but is learnt through undertaking it—undertaking is itself learning." Chairman Mao was talking about revolutionary war, but to work for any cause of the people successfully one must learn in the course of actual work. This is a universal truth. Facts in the past few years prove that we have learnt many things in the midst of actual construction work and have become better acquainted with the situation as regards our natural resources. Obviously, marking time will not add to our skill and knowledge. We cannot accept the proposition that everything we do we must "undertake with previous knowledge" and that we should therefore reduce the scale of construction in the five-year period to lighten the responsibility which we should and can undertake. We cannot adopt such views.

The question then arises: can the scale of capital construction be enlarged?

In terms of demand, neither the capital construction programmes nor the production targets laid down in the draft Five-Year Plan for either heavy or light industry, whether it is the iron and steel, non-ferrous metals, chemical fertilizers, oil, machine-building or textile industries—none of these programmes and targets can satisfy the needs of the state. But whether or not the scale of construction can be expanded depends not only on the need but also on the possibility of achievement. We are Marxist-Leninists, not Utopians.

We hold that the scale of construction laid down in the Five-Year Plan is appropriate and should not be reduced, because a consideration of objective conditions existing in this country shows that it is possible to carry it out.

We hold, furthermore, that it is possible in the annual plans to expand in a suitable way certain essential units of construction such as in coal mining, oil production and railways, and we are prepared to do so. This is especially true with regard to our oil industry. In view of its low output which falls far short of our needs, we must make efforts to discover more oil resources and study means of developing synthetic oil production so as to expand the scale of construction in the oil industry.

But does this mean that we can expand construction projects arbitrarily and without limit, ignoring various objective conditions such as finance, technical forces and the supply of equipment?

Of course, we cannot proceed in such fashion. In regard to finance, our state expenditure for economic construction, cultural and educational development in the five-year period already amounts to 76,640 million yuan. As regards technical forces, all the huge and complex new enterprises called for by the Five-Year Plan are designed with the aid of the Soviet Union; our engineers and technicians are still unable to design such new enterprises independently. Regarding the supply of equipment, it is difficult for us to make great increases in this respect under present circumstances when China's machine-building industry cannot yet manufacture certain important items of equipment and complex machine parts. Because of these conditions, there are still certain limits to further expansion of construction in the five-year period. It is wrong to suppose that we can ignore objective

conditions and expand the scale of construction without limit, or that we can neglect the most rational and most effective use of materials, manpower and financial resources and start things going haphazardly everywhere.

Oppose Right conservatism and oppose "Left" adventurism too—this is our conclusion regarding the question of the scale of capital construction.

B. THE RATIO OF INVESTMENT BETWEEN LIGHT AND HEAVY INDUSTRIES

China's First Five-Year Plan allocates an especially large proportion of investment to heavy industry: It is even larger than the proportion of investment allocated to heavy industry in the First Five-Year Plan of the Soviet Union. It has been mentioned above that investment in industries manufacturing means of production accounts for 88.8 per cent of the total investment in industrial capital construction in the five-year period, while investment in the consumer goods industries accounts for 11.2 per cent. By the time the First Five-Year Plan of the Soviet Union was completed, however, investment in industries manufacturing means of production accounted for 85.9 per cent, and consumer goods industries 14.1 per cent of the total investment in industrial capital construction. Is it proper that our heavy industry should take up such a large, and light industry such a relatively small proportion of investments? Can we reduce the investment in heavy industry and increase that in light industry?

It is generally recognized that the ratio of investment between light and heavy industries must be determined on the principle that expansion of the means of production must have priority. The ratio in each period of development must, moreover, be fixed according to

the actual situation in that period. At the present time the original foundations of heavy industry are extremely weak in our country; this calls for sustained effort to expand those foundations and promote the all-round development of the national economy. At the same time, there is still considerable unused capacity in both state and private light industrial enterprises and there are wide possibilities in handicraft production which can be called upon to serve as an important auxiliary to light industry. Because of lack of raw materials, on the one hand, light industry in our country cannot fully meet the daily growing demands of the people for many products and on the other hand, much light industrial equipment still does not operate to full capacity. The question of developing light industry in our country today is not, therefore, mainly a question of increasing investment but rather of increasing the supply of raw materials. Increased investments in light industry cannot be fruitful until there is a great increase in the production of certain raw materials for light industry, because without raw materials, factories cannot go into production even if they are built. However, if agriculture yields a rich harvest and the output of raw materials for light industry is greatly increased, and in the event of existing equipment being inadequate, we can consider an expansion in the yearly plans for building more light industrial plants. The progress of construction will not be delayed, because the building of light industrial plants is comparatively easy and they can be built in a comparatively short time.

For these reasons we consider that the First Five-Year Plan has set the proper ratio of investment between light and heavy industries.

C. CO-ORDINATION BETWEEN LARGE, MEDIUM AND SMALL ENTERPRISES

If we stress concentration of efforts on the building of large priority projects, does it mean that we can pay less attention to or even ignore the construction of medium and small factories and mines?

Of course, there is no doubt that the big enterprises designed with the aid of the Soviet Union and supplied with Soviet equipment, such as integrated iron and steel works, motor vehicle, tractor and heavy machinery plants, etc., are indispensable to our country's industrialization. There can be no industrialization for our country without a number of such giant enterprises which form a sort of backbone for industry. However, this does not mean that we need only big enterprises, and can do without the medium and small ones. On the contrary, since medium and small enterprises can be built and put into operation in a comparatively short time, bringing quick returns on investment and adding to our productive capacity, they not only play an important role in increasing supplies of industrial products and supporting agricultural production but also constitute an indispensable factor in increasing accumulation of funds and in supporting and assisting construction of the big priority projects. This is why we should correct two mistaken tendencies. One is to fail to see the whole picture and to go ahead blindly with construction everywhere without regard to degree of importance or urgency, thereby interfering with the construction of priority projects. The other mistaken tendency is to devote all our attention to the construction of big enterprises at the expense of medium and small ones and concentrate an excessive proportion of state funds on construction of a few big enterprises, thereby making it impossible for investments to realize quick returns.

Our task is to arrive at a proper distribution of investments among big, medium and small enterprises in the course of industrial construction, and to effect co-ordination and mutual support in the construction of these various types of enterprises, so as to guarantee not only construction of the necessary priority projects but also quick returns from investments in many enterprises.

D. THE GEOGRAPHICAL DISTRIBUTION OF INDUSTRY

The old geographical distribution of our industry is highly irrational. According to 1952 statistics, industries producing more than 70 per cent of the total value of the country's industrial production were located in the coastal provinces. One of the important tasks of planned development of our national economy is gradually to correct this irrational distribution—a heritage of the old China—by adequately distributing our industrial productive forces over various parts of the country, locating industries in proximity to sources of raw materials and fuel and areas of consumption, distributing industries in accordance with the need to strengthen national defence, and developing step by step the economy of backward areas.

The five-year programme of capital construction provides for a more rational distribution of industrial areas. On the one hand, we must ensure a rational utilization of the industrial foundation already established in the Northeast and in Shanghai and other cities, by making full use of it. We must, in particular, carry out the necessary reconstruction of the industrial base in the Northeast centred on the integrated iron and steel works in Anshan so that it can quickly expand production to meet the requirements of the national economy and help create new industrial areas. On the other hand, we must make vigorous

efforts to build up new industrial bases in North, Northwest and Central China, and make a start with a part of our industrial construction in Southwest China. In accordance with this policy, 472 of the 694 above-norm industrial enterprises to be built during the five-year period will be located in the interior and 222 in the coastal areas.

Railway-building in the five-year period has been planned so as to link up the old industrial bases with new ones, to meet the requirements of industrial construction and the development of the whole national economy. Following this principle of dispersal of industries, our task in municipal construction at present is not to develop big coastal cities but medium and small cities in the interior, at the same time duly restricting the development of big cities. The defect of headlong development in coastal cities should be corrected.

It is clear that the geographical distribution of capital construction for industries and railways mapped out in the draft Five-Year Plan conforms to the long-term interests of our country. As outlined by this programme, by the time the Second Five-Year Plan is fulfilled, our country will not only have strengthened its industrial base in the Northeast, but will have a number of new industrial bases in North, Northwest and Central China. This will considerably transform the economic life of a vast area of our country. As the geographical distribution of industry is based on the growth of heavy industry, it will eventually transform the whole nature of the original distribution of industry.

E. FIXING STANDARDS IN CAPITAL CONSTRUCTION

In the construction or reconstruction of both enterprises and cities, we should draw a distinction be-

tween construction standards set for productive projects and those for non-productive projects. In the past few years, we neglected this distinction and as a result made mistakes by following incorrect principles in the building of many non-productive projects. The standards of many of these non-productive establishments are very much out of keeping with the present-day level of economic development in our country and the living standards of the people. In many places huge edifices have been erected that are quite inappropriate. Many enterprises have spent far too much money on auxiliary buildings, factory offices, living quarters, canteens, etc., which should have been put up economically. There have been some new factories and mines which, even before they went into production, were completely equipped with all such amenities as auditoriums and clubs and, what's more, the standards of these buildings are far too high. The standard of municipal construction in many new industrial areas is also too high: too much attention has been paid to premature modernization and civic "beautification." All this has resulted in waste of funds, manpower and material resources, violating the principle of priority in construction.

We are correcting these mistakes in accordance with the instructions of the Central Committee of the Communist Party of China and the National Conference of the Communist Party of China. In drawing a distinction between various standards of construction we should observe the following rules: many above-norm factories and mines, especially those with a high priority, should try their best to use the most up-to-date technique, and their factory buildings should, as far as possible, be adapted to the use of the most up-to-date equipment. As for non-productive projects, their standards of construction should be greatly

lowered, and so should standards of city planning. By drawing this distinction between these two standards, we will be able to save unnecessary expenditure and devote the money saved to the building of more productive projects so as to speed up national construction. This is a momentous decision involving the long-term interests of national construction. Organs of the state, both central and local, and all enterprises should observe this decision: no violations of it should be permitted. I will say more on this question later on when I deal with the need to economize.

F. GUARANTEEING THE QUALITY OF ENGINEERING WORK

So far, in speaking on capital construction in industry and transport, I have been dealing with questions of principle. But it is obviously not enough to have just correct principles. Given correct principles, the important thing is to do the work well. It is common knowledge that our present technical level is still very low. Furthermore, in order to save time, surveying, designing and building work on some of our construction projects have to be carried out concurrently; and much machinery and equipment has to be produced on an experimental basis in the course of construction. This accounts in certain cases for many serious shortcomings such as inferior quality, low rate of progress and much waste. Now the task confronting us is to overcome these defects, and the most important thing is to guarantee the quality of engineering work. We must realize that in the long run the quality of construction in new factories, mines and railways is of crucial importance. The Paochi-Tienshui Railway which was built during Kuomintang rule is of an extremely low engineering standard, and it can't be left in its present condition where it is unusable for days at a stretch; it must be rebuilt. In the past few years,

we have restored many factories, mines and railways, *but we must realize that to restore old factories, mines and railways is one thing; to build new ones is another.* We should not think the latter as simple as the former. This is why in the future we should improve our work in the following respects in order to guarantee the quality of our engineering work:

(1) We must improve our designing; see to it that designers work according to correct principles and have a conscientious attitude towards their work; and that they avoid errors in designing.

(2) We must give more and better technical guidance to construction; build in strict accordance with design specifications; and, at the same time, actively spread the best experience of workers, engineers, technicians and administrative personnel and encourage rationalization proposals.

(3) The work of all concerned must be closely co-ordinated so that all equipment and material required in capital construction is up to the standard specified in designs and delivered in time.

(4) State organs and departments responsible for capital construction must make systematic and careful examinations of the quality of engineering work.

2. INDUSTRIAL PRODUCTION

The First Five-Year Plan of our country provides that the total value of industrial output will increase by 98.3 per cent, averaging a progressive increase of 14.7 per cent a year. Compared with the period of rehabilitation, this is a rather slow pace, but considering all the conditions of the First Five-Year Plan, it is rapid and forward-looking.

Conditions in the period of construction are different from those in the period of rehabilitation. It is quite natural that the rate of increase of industrial production during the period of construction should be slower than that during the period of rehabilitation, because it is easier to restore production in old enterprises than to build new enterprises and it is more difficult to utilize new techniques; furthermore, the base figures on which annual increases are computed rise from year to year as industrial output increases. Yet despite this, taking account of the productive potential of our present industrial equipment, we can achieve a still higher rate of increase of industrial production within the five-year period. If we work hard to find ways of overcoming difficulties, we shall not merely fulfil our plan but may even overfulfil it.

Fulfilment of the industrial production plan in the five-year period mainly depends on our old enterprises. A rough estimate of the total value of industrial output of the country shows that about 70 per cent of the rise in value of output from 1952 to 1957 will come from old enterprises, while about 30 per cent will come from newly built enterprises and those which underwent major reconstruction. In addition to supplying newly built enterprises with equipment and materials and the people with articles of daily use, the old enterprises also shoulder the important tasks of accumulating funds and training personnel. Therefore, we must work hard to start production in newly built and reconstructed enterprises at the earliest moment while guaranteeing the quality of engineering work. At the same time we must also pay attention to production in existing enterprises, and fully utilize their latent capacity in our efforts to overfulfil production plans.

In some departments and places, new factories and mines are built without much attention being given to utilization of old ones, and without finding ways and means of utilizing their unused capacity. This state of affairs is clearly wrong and should be corrected.

Local industry and handicrafts in our country play an important part in supplying the needs of production and of everyday life of the urban and rural population. During the past few years, because of defects in planning and other reasons, some branches of local industry made the mistake of expanding production blindly, thus adding difficulties to the organization of industrial production in the country as a whole. But in general it is right to actively promote local industries. In the future, too, in accordance with the requirements of the state plan and the policy of serving the needs of agricultural production, we should continue to make proper use of local industries and handicrafts. Some areas and certain departments underestimate the role of local industry and handicrafts in the national economy and therefore do not guide and help them actively or systematically. This is obviously wrong, and must be corrected.

The following three points are of decisive importance in fulfilling and overfulfilling industrial production targets set by the Five-Year Plan: increasing output and economizing in the use of industrial raw materials; trial manufacture of new types of products; improving management. I will now deal with these three points:

A. INCREASING OUTPUT AND ECONOMIZING IN THE USE OF INDUSTRIAL RAW MATERIALS

One of the difficulties met in increasing the output of industrial goods during the five-year period is

lack of industrial raw materials. I mentioned this before when I spoke on the question of the proportion of investment in light and heavy industries. This means first of all insufficient supplies of industrial crops. That is, for the time being, the increase in the production of raw materials such as cotton, jute, hemp, oil-bearing crops, tobacco, sugar-cane, etc., lags behind the demands of growing industrial production. Secondly, it means insufficient supplies of raw materials from heavy industry. The production of some of these raw materials is low, while others cannot at present be produced domestically. Of course, some raw materials could be imported, but because the increase in the output of home products is still insufficient or domestic consumption is too large, exports of home products are not as large as they should be; this reduces our foreign exchange income and therefore limits imports of industrial raw materials.

To overcome this difficulty we must increase production of such industrial crops as cotton, jute, am-bary hemp, tobacco, sugar-cane, sugar-beet, peanuts, sesame seed, and rape-seed. We must fulfil and over-fulfil the targets set in the Five-Year Plan for expansion of the sown areas of the above-mentioned industrial crops. At the same time, the yields of these industrial crops per unit area must be raised as high as possible. Take cotton, for example. It is possible within the five-year period to expand the sown area by more than 11 million *mou*. Because the main cotton areas are mostly in the old liberated areas, provided special attention is given to organizing agricultural producers' co-operatives in these areas, and as much state aid as possible is given to the cotton-growers, the per unit area yield in these regions can be raised still more. It is also possible to expand the sown area of tobacco and sugar-cane by more than one million *mou*

each in the five-year period. While we must do everything possible to expand the areas sown to grain, we must at the same time increase the areas sown to certain industrial crops provided this does not affect the increase of grain production. If we plant an additional 500,000 *mou* of tobacco, we can increase the output of cigarettes by 500,000 crates; if we plant an additional 400,000 *mou* of sugar-cane, we can increase the output of sugar by 100,000 tons. In the case of oil-bearing crops, it is not only possible to fulfil but also to overfulfil the plan of expanding the sown area by more than 32 million *mou* in the five-year period if the masses of peasants make full use of idle land to plant such crops.

We must increase the output of home products for export to obtain foreign exchange and to increase imports of necessary raw materials for industrial production. Provided local organs of the state and peasants throughout the country give special attention to this, we can definitely increase the output of home products for export.

Besides making vigorous efforts to increase the output of industrial raw materials, we must husband our supplies carefully and put an end to waste. If we can save an average of two catties of cotton in manufacturing each bale of cotton yarn, this alone will enable us to increase the output of cotton yarn by at least 20,000 bales annually. The latest data show that in the first quarter of 1955, the average amount of cotton used in producing a bale of cotton yarn in Shanghai's state and private textile mills was reduced to 386.1 catties, which is 7 catties below the specified standards set for the whole country in the first half of 1955. In achieving this result the average amount of cotton used for each bale of cotton yarn in state cotton mills was 384.98 catties; in joint

state-private cotton mills, it was 386.65 catties; and in private cotton mills, 387.42 catties. These advanced methods of economizing cotton should be widely publicized.

To take another example, if a catty more oil can be extracted from every 100 catties of oil-bearing crops, the national production of edible oil can be raised by at least 100 million catties and more a year. The "soya bean oil extraction method" invented by Li Chuan-chiang in Szeping, Kirin Province raised the oil-extraction rate for every hundred catties of soya bean in 1954 to nearly 13.5 catties, about 2 catties over the average national extraction rate. In April 1955, the oil-extraction rate for every 100 catties of soya bean in the oil-extraction shop where Li Chuan-chiang works rose to over 14 catties. This advanced method of processing should be seriously studied and spread throughout the country.

In the case of all those industrial products which suffer from a shortage of raw materials, we should institute an energetic search for substitute materials and enlarge sources of raw materials so as to increase production.

There are considerable possibilities for raising the output of many products such as coal, phosphate fertilizer, salt, etc. We can definitely increase their output provided we organize production properly and make the necessary investments.

B. TRIAL MANUFACTURE OF NEW TYPES OF PRODUCTS

Another difficulty in increasing the output of industrial products in the five-year period is that certain enterprises, because of their low technical level, produce goods which do not suit current needs, while goods demanded by the market cannot yet be produced.

It is natural that in the course of our industrial progress certain urgently needed things cannot be produced for the time being. Improvements are being made in departments of the machine-building industry to remedy this state of affairs. But shortage of new products is not confined to departments of the machine-building industry. We should examine whether responsible departments at all levels have made reasonable efforts in the trial manufacture of new products, whether all those concerned throughout the country, and primarily the industrial departments, have considered this work as a common task and properly concerted their efforts. We do not think that we have tackled this task with sufficient energy. We must concentrate all available forces on the design and trial manufacture of new products, and give enthusiastic support to this work. In the case of some industrial products needed on the market such as certain metal products, machinery, chemicals and medical apparatus, we not only have the raw materials, but also the manufacturing ability; and it is only because we have not organized their production that these goods are not yet produced. Administrative departments guiding industrial enterprises should, therefore, always keep themselves informed of the needs of national construction and of the market, and produce goods to meet those needs.

It must be understood that the importance of trial manufacture of new products is not limited to raising present industrial output, but, what is more important, is a necessary means of raising the level of industrial technique in our country; and this in turn is a basic condition for fulfilling the task of socialist industrialization.

The economic departments of the state should set up agencies to guide research and trial manufacture

of new products. These agencies should systematically study and collate data on the domestic and foreign manufacture of new products both of means of production and of consumer goods, improve planning, design, experiment and manufacture of new products, regularly sum up experience gained in the trial manufacture of new products, and examine plans for the trial manufacture of new products in order to ensure their fulfilment. The state should work out a system of awards to encourage manufacture of new products by state and private enterprises and handicraftsmen. It should reward inventions and innovations by scientists, technical personnel and the mass of workers, and encourage state and private enterprises to make good use of their inventions and innovations and organize trial manufacture of new products. It is the responsibility of government workers to watch for the emergence of new things and zealously nourish their growth. Those who attach no importance to new things or who do not respond to new things should be criticized.

A key method of increasing the range of new products and raising output is to strengthen co-ordinating and co-operative links within enterprises, between enterprises, and between various industrial departments. Industrial production is inter-linked and requires co-ordination. Only when there is co-operation and co-ordination can there be production and increased output. The scattered and unco-ordinated character of the old industrial equipment left to us makes it especially necessary for us to work together on an even broader scale, so that each enterprise can specialize, but at the same time co-ordinate its activities closely with production in other enterprises. We must give up thinking and acting on the assumption that an enterprise or industrial department can

produce in isolation, without regard to others. Not only should the different parts of a single enterprise or enterprises of one industrial department co-operate among themselves, but various departments should co-operate in production. In order to make this co-operation effective, every workshop or section, every enterprise and every department should look at things from an over-all, not an isolated point of view.

All major items of work which call for close co-operation between enterprises or departments should be incorporated in the production plans of the state and the departments concerned; at the same time, the system of making contracts between enterprises and between the workshops of an enterprise should be introduced on a broad scale so that industrial departments and enterprises can effectively co-ordinate and dovetail their operations to improve the organization of industry.

C. IMPROVING MANAGEMENT IN ENTERPRISES

During the past few years, considerable improvements have been made in the management of enterprises, and as a result, production plans were overfulfilled every year throughout the country. Not a few enterprises, however, failed to fulfil their plans; some failed to reach the targets for value of output; others reached the targets for value of output only, but not for types and quality of products; some reached the targets for types and quality of products, but not those for raising labour productivity and lowering production costs. Not a few enterprises showed a tendency in carrying out plans to work in spurts, alternating between slackness and rush work or starting at a leisurely pace and ending with a headlong rush. This uneven tempo of production is a source of confusion. Not a few enterprises still suffer

losses from recurring accidents which cause injury or death, or damage to equipment. Because of shortcomings and low standards of management some industrial enterprises produce only restricted ranges of goods, of low quality and at high production costs. Therefore, in accordance with the provisions of Article 6, Section II, Chapter Three, of the draft Five-Year Plan on necessary measures for the realization of the plan of industrial production, all industrial enterprises must continually improve their management, take steps especially to improve technical management and business accounting, and strengthen political education among workers and staff, integrating political with economic work, raising the political awareness of the broad masses of workers and staff, bringing their initiative and creativeness into full play, and raising labour productivity.

We must recognize that we shall meet with certain difficulties in fulfilling our plans of industrial production; any complacent, over-optimistic attitude in regard to fulfilling industrial production plans is out of place. However, provided the working people throughout the country pull together to increase industrial output and raise the quality of industrial products, the fulfilment and overfulfilment of plans for the increase of industrial output by 98.3 per cent within five years is quite possible. Hence, there are no grounds for fear of difficulties and lack of confidence.

3. INCREASING AGRICULTURAL OUTPUT

Agriculture supplies food for the whole nation. In addition, manufactured goods which use farm produce as raw material at present account for over

half the total value of the country's industrial output. Furthermore, most of the foreign exchange needed for imports of equipment for industry and material for construction is obtained by exporting farm produce. The growth of agriculture is therefore a basic condition for ensuring the growth of industry and fulfilment of the whole economic plan.

We are now concentrating efforts on developing industry, but there must be no underestimation of the importance of developing agriculture. We cannot industrialize our country without an adequate development of agriculture. It is vital and urgent that we prevent or overcome any dislocation in the development of agriculture and industry during the course of socialist construction.

Under the First Five-Year Plan, the total value of output of agriculture and its subsidiary production will rise to 59,660 million yuan by 1957, an increase of 23.3 per cent in the five-year period. There will be 17.6 per cent more grain, making a total output of 385,600 million catties in 1957, an increase of 57,800 million catties. There will be 25.4 per cent more cotton, making a total output of 32,700,000 *tan* by 1957, an increase of over 6,600,000 *tan*.

These targets, though lower than those originally envisaged, are still very high considering the fact that they are based on the output of 1952, a year of record harvests. Furthermore, because the 1953 and 1954 plans for increasing agricultural output were not fulfilled in consequence of natural calamities, the targets set for increased production in the last three years of the Five-Year Plan period had to be raised. Intensive efforts will be needed to fulfil these targets.

Now I want to deal with three questions: co-operation in agriculture; measures for increasing

agricultural output; and guidance in agricultural production.

First, the question of co-operation in agriculture.

During the period of the First Five-Year Plan, organizing agricultural producers' co-operatives must be actively and systematically carried out on a voluntary and mutually-beneficial basis, by relying on the poor peasants (including all new middle peasants who were formerly poor peasants) and firmly uniting with the middle peasants. The agricultural producers' co-operative is characterized by the pooling of land and unified management. That is to say, it is a type of agricultural producers' co-operative in which ownership of the means of production is only partially collective; it is semi-socialist in nature. However, this elementary form of co-operation, which turns scattered, small-peasant farm management into joint management uniting dozens of households, makes it possible to organize labour power and utilize land in a more rational way and also to accumulate funds for increased investment in farming, using improved tools, building irrigation works, improving farming technique and taking other measures for increasing production which are difficult for individual peasants. The considerable amount of information gathered from various parts of the country shows that an agricultural producers' co-operative can, if run successfully, raise output from 10 to 20 per cent during its first or second year. It is also able to increase output consistently year by year at an annual rate higher than that of the mutual-aid team and much higher than that of individual peasants. Under present conditions, the agricultural producers' co-operative is a means of increasing agricultural output that involves small investment and speedily yields good results. It is also a necessary step leading the peasants to socialism. The

path to the uninterrupted growth of agricultural production in China lies through a gradual advance from this elementary form of co-operation with its initial technical improvements to a higher form of co-operation with mechanization of agriculture and other technical reforms.

Taking account of the experience gained in the movement for agricultural mutual aid and co-operation in the past few years and the successes already achieved in this field in various parts of the country, the First Five-Year Plan states that a third of all the peasant households in the country will have joined the present elementary form of agricultural producers' co-operatives within the period covered by the plan. In Northeast China and the provinces of Shansi, Hopei, Shantung and Honan and other older liberated areas, about half of all peasant households will have joined co-operative organizations. We should work for a more rapid pace of co-operation in areas growing industrial crops and on the outskirts of cities. This plan for co-operative farming is practicable. We must work hard to fulfil it. The state will give all possible financial and material support to the growth of agricultural producers' co-operatives.

Our movement for agricultural co-operation has achieved great success. Over 90 per cent of our agricultural producers' co-operatives organized in previous years are on a firm footing; most of them have markedly increased their output. There are also, however, a small number of agricultural producers' co-operatives in some places in which elements of coercion and commandism and other shortcomings exist because the work of organization was rather hurriedly and roughly done. Unless these shortcomings are rectified, not only will it be impossible to increase production, but a fall in output will likely result.

In regard to the agricultural producers' co-operative, we must therefore consistently follow the policy of giving active leadership to the peasants, maintaining a steady advance, and working hard to consolidate existing co-operatives while organizing new ones. We must hold firmly to the principle of voluntariness and mutual benefit on the part of the masses, prevent and correct cases of coercion and commandism and any actions which go against the interests of the middle peasants; we must satisfactorily solve the various problems which arise within the co-operative such as calculation of labour contributed, remuneration for land and other pooled means of production, finding funds for production and the determination of the ratio of reserve funds in relation to other items.

While we work to set up new agricultural producers' co-operatives, we must continue to set up and improve various forms of agricultural mutual-aid organizations in order to create conditions for the further development of agricultural producers' co-operatives. The enthusiasm which individual peasant households show for increasing production must be taken into consideration and vigorous assistance and leadership should be given to them to develop all their resources to the full and raise per unit area yields.

Secondly, since Chapter Four of the draft Five-Year Plan sets out measures for increasing agricultural output in great detail, I will speak only on the following points:

(1) Reclamation of arable wasteland.

Since our population is large while the area under cultivation is still limited, we must take energetic measures to open up arable land in a planned way so that we can finally solve the problem of shortages in agricultural produce. The expansion of China's

cultivated area by over 38,680,000 *mou* as laid down in the Five-Year Plan is a minimum target, and every effort must be made and every means used to surpass it. One method is for state farms to reclaim land. Where local conditions permit, all state farms should expand their cultivated area by a reasonable amount. At the same time, wherever there are large tracts of reclaimable wasteland, efforts should be made to reclaim them and systematically build up new state farms. Another method is to use machines and other means to reclaim wasteland and to organize cultivation by pioneering emigrants. As this work is complex and has to be done on a considerable scale, the state, together with local authorities, should draw up a unified, practical scheme and give leadership to the work. Still another method is for the peasants themselves to open up wasteland locally. Since this is comparatively easy and small-scale work, it can be done under the leadership of local authorities.

Use should be made of all these methods of land reclamation in the next three years as an important means of increasing farm production.

A considerable part of the funds saved by the state by reducing expenditure on non-productive construction and appropriations to administrative organizations will be used in reclaiming wasteland.

An energetic investigation and survey of reclaimable wasteland will be conducted during the period of the First Five-Year Plan; we should complete the surveying of over 100 million *mou* of wasteland and have over-all plans ready for the opening up of from 40 million to 50 million *mou* of wasteland in preparation for the large-scale land reclamation work envisaged in the Second Five-Year Plan.

(2) Water conservancy works.

Water conservancy works can extend the irrigated area to increase agricultural output as well as preserve crops from the ravages of flood or drought. Increased agricultural output and other benefits brought about by the elimination or reduction of natural calamities through water conservancy works in many cases pay back within a few years the funds invested. Since the founding of the People's Republic of China, we have spared no efforts in building water conservancy works. Newly built large-scale works have played a tremendous role in fighting floods and drought in recent years, particularly in the battle against the heavy floods of 1954. During the First Five-Year Plan, we should, in addition to big projects financed by state investments, build many small irrigation works, benefiting from a few dozen *mou* to several hundred *mou* according to actual local needs and possibilities. Since these works are scattered and can be built with comparative ease, agricultural producers' co-operatives and individual peasants can be organized to build them. The state will give financial and material assistance where necessary.

(3) Full and effective use of land.

Because of the large size of our population, it is necessary and possible to make full use of our land. To extend land utilization, we should, in addition to reclaiming wasteland and enlarging the irrigated area, undertake soil improvement by changing alkaline or sandy soil into fertile fields, terracing land on slopes and turning arid land into irrigated fields. The number of times the land is cropped a year should be suitably increased where climate, rainfall, topography and other natural conditions and the supply of fertilizer, water conservancy, availability of manpower, animal traction and other economic conditions permit. In upland areas a unified plan should be

made wherever possible to co-ordinate the development of agriculture, animal husbandry, forestry and subsidiary rural occupations, and promote a diversified economy; at the same time, work on soil and water conservation should be intensified. The peasants should be encouraged to cultivate their land still more intensively, to put in more fertilizer and step by step adopt more advanced farming techniques suited to local conditions, such as enlarging the area under crops resistant to water-rot in low-lying areas, and enlarging the area under early-ripening crops and spring crops in areas where waterlogging from autumnal rains frequently occurs. Some provinces have already acquired initial experience in such activities, and this should be summed up and gradually spread to other areas in accordance with local conditions. Any other successful experience of the mass of the local peasants in raising output should also be publicized energetically and adopted on a widening scale.

Energetic and systematic measures should be taken to extend the area under industrial crops on slopes and uplands in suitable areas. Everything should be done to avoid enlarging the area under industrial crops at the expense of grain crops.

(4) Enlarging the acreage of rice, maize, potatoes, and other high-yield crops.

The yield of rice per unit area is nearly treble that of wheat; the yield of maize is estimated at 50 per cent above other coarse grains; while potato crops such as sweet potatoes and potatoes give yields per unit area which are five or six times more than coarse grains in general. (As food, two and a half catties of potatoes are equivalent to one catty of grain.) Without doubt, expansion of the area sown to these high-yield crops will certainly be a great help in reducing difficulties in the supply of food and fodder.

If in coarse grain areas or other suitable areas we put another 10 million or 20 million *mou* of farmland under potato crops instead of grain, this will make it possible to raise the annual output of potato crops by 10,000 million to 20,000 million catties, though it will cut the annual output of grain by 2,000 million to 3,000 million catties. In coarse grain areas or other areas suitable for growing potato crops, local authorities should therefore study how to extend the area under potato crops and other high-yield crops, work out plans and energetically put them into practice. Agricultural departments and scientific research institutes should devote serious study to developing high-grade strains of potato crops and work out improved methods for preserving, storing and processing such crops.

(5) The use of improved animal-drawn ploughs, double-bladed two-wheeled and single-bladed two-wheeled ploughs, vigorous efforts to store and prepare manure, proper application of fertilizers, widespread promotion of the use of high-grade seed, elimination of plant diseases and insect pests—all these are effective ways of raising farm output and should be applied in accordance with local conditions. State authorities at all levels should improve their work of granting agricultural loans, increasing the supply of fertilizers and farm tools, providing services from agro-technical, tractor and water-pumping stations, and see to it that state farms set good examples in farm work. State authorities at all levels should also conduct among the peasants experiments in the improvement of farming technique and seeds, and organize peasant training classes to carry out such experiments and publicize their results. By this means, aid given the broad masses of peasants will support their efforts to increase production.

Thirdly, on guidance for agricultural production.

In developing agricultural production, in addition to providing unified guidance throughout the country as regards principles, policies and practical steps to be taken, it is important to bring the initiative of the local people into full play, improve guidance given to agriculture by local Party and government bodies, and adopt effective measures for raising farm output, suited to actual local conditions. Every province must concentrate sufficient forces to guide efforts in raising farm output. All administrative regions, counties, districts and *hsiang*¹ must, without exception, lay special stress on giving guidance to agricultural production and the movement for mutual aid and co-operation in farming.

Local Party and government organs at all levels should map out five-year plans to increase agricultural output according to actual conditions in their localities and their practical experience. They should consistently carry out various policies concerning rural work and the raising of agricultural output which the Party and state have laid down, encourage the enthusiasm of the peasants for production and ensure the fulfilment of these plans. Local plans for raising farm output should be geared to meet the requirements of state plans. Local authorities, taking account of local possibilities, should set targets which are in excess of state assignments so that the state plan can be placed on a still firmer foundation. Such local plans for raising farm output should be made after careful consideration of the specific needs of the local population so that the produce of their farms will

¹*Hsiang* is an administrative unit of one or several villages.

satisfy their varied demands and their enthusiasm for production can be stimulated and play its full part.

In some rural areas, local authorities and government workers have failed to concentrate their efforts on guiding agricultural production. They have not paid sufficient attention to working out effective methods of raising output and preventing natural calamities nor have they mobilized the masses to take steps to achieve these aims. This has left agriculture without proper guidance. In some places when modern experience and measures for raising farm output were applied, actual local conditions were not taken into account. Instead, regardless of effects, a stereotyped way of doing things was followed. In other places, patience was not exercised in educating and persuading the peasants to take up co-operative ways of farming, nor was the method adopted of demonstrating by concrete example. On the contrary, the principle of voluntariness on the part of the masses was violated and there was coercion and commandism. All such shortcomings in rural work must be corrected.

I wish to say a few words especially on the question of animal husbandry. The development of animal husbandry will increase the supply of draught animals and manure for agricultural production, of hides and hair for light industry, and of meat needed for the market. It will also raise the income of the peasants and herdsmen. Therefore, the various measures for the development of animal husbandry, laid down in Chapter Four of the Five-Year Plan, should be strictly carried out in all agricultural and stock-breeding areas so as to speed up the breeding of livestock and ensure the fulfilment and overfulfilment of the targets set out in the First Five-Year Plan for increases in the number of horses, cattle, mules, donkeys, sheep, pigs and other livestock. State authorities should do all

they can, financially and technically, to assist the development of animal husbandry in areas inhabited by minority peoples and improve leadership of this work in livestock-breeding areas.

4. THE SOCIALIST TRANSFORMATION OF CAPITALIST INDUSTRY AND COMMERCE

Now I would like to deal with certain questions arising out of the socialist transformation of capitalist industry and commerce by the state, namely: the question of the steps by which this transformation will be brought about, the question of arrangements for the transformation of capitalist industry, the question of arrangements for the transformation of capitalist commerce and the question of the duty of capitalists to abide by the laws of the state and accept the policy of transformation.

A. THE STEPS BY WHICH SOCIALIST TRANSFORMATION WILL BE BROUGHT ABOUT

There are still a vast number of complex private industrial and commercial enterprises in our country. In 1953 more than two million people were engaged in private industry (not including individual handicraftsmen). There were more than 45,000 capitalist industrial enterprises each employing over ten workers and staff, a total of more than 1,500,000 workers and staff. In the field of commerce, in 1953 some 200,000 people were engaged in capitalist wholesale trade; 2,000,000 were engaged in capitalist retail trade, and there were several million small traders and pedlars. Quite a number of these people engaged in private industry and commerce were capitalists. It is no easy undertaking to bring about the socialist transformation

of this tremendous number of complex private industrial and commercial enterprises.

In achieving the socialist transformation of private industry and commerce, a distinction should be made between those enterprises owned by capitalists and those owned by small proprietors working independently. We should adopt appropriate measures and flexible methods suited to these two groups.

The transformation of capitalist industry and commerce by the state is being realized in two steps: the first is to transform capitalism into state-capitalism, and the second is to transform state-capitalism into socialism.

State-capitalism is the transitional form through which the state carries out socialist transformation of capitalist industry and commerce. The Constitution of the People's Republic of China provides that capitalist industry and commerce should be encouraged and guided in the "transformation into various forms of state-capitalist economy, gradually replacing capitalist ownership with ownership by the whole people." That is to say, during the transition period, elimination of the system of capitalist exploitation is not to be carried out at one stroke, but step by step, through various forms of state-capitalist economy. We shall allow capitalists a necessary period of time to accept transformation gradually, through the transitional form of state-capitalism under the leadership of the state and the working class.

There are various forms of state-capitalist economy. The higher form is joint state-private enterprise; the intermediate and lower forms, in industry, are the accepting of government contracts for the manufacture and processing of goods by private firms, the purchasing and distribution by the state of the finished products of private enterprises; and in

commerce, designation of certain merchants by the state to purchase specified goods for the state, designation of merchants working on a commission basis to sell goods on behalf of the state and the purchasing of goods from state stocks by merchants for retail at fixed prices.

In the past few years, the transformation of capitalist economy developed in general from the lower and intermediate forms to the higher form, from important trades to less important trades and from leading cities to medium and small cities. Experience has proved that this method of steady, systematic advance is quite suitable; we shall continue to use it.

Facts during the past few years prove that once capitalist economy is transformed into state-capitalist economy, it changes its character in varying degrees as the socialist element is infused into it. This restricts the anarchy of capitalist economy in production and management and the profit-grabbing activities of capitalists, and, in varying degrees, places this sector of the economy within the scope of the state plan. At the same time, since the status of the workers in production is changed, their enthusiasm for production is increased, and consequently labour productivity in the enterprises is raised and management improved; this makes it possible to deal suitably with labour-capital relations in such enterprises. This shows that in the actual conditions of our country it is both necessary and practicable to adopt the transitional form of state-capitalist economy to transform capitalist industry and commerce step by step, to overcome by degrees the contradiction between capitalist relations of production and the growth of the productive forces and thus facilitate the gradual replacement of capitalist ownership by ownership of the whole people.

The state transforms private manufacturing and commercial establishments run by independently working proprietors by organizing them step by step, according to the different conditions of different trades and the principle of voluntariness, into various forms of co-operation, guiding them, step by step, in the transition from various lower forms of co-operation to higher forms of co-operation so that they can effectively serve the needs of the country and society.

It is expected that under the First Five-Year Plan, the following advances will be made in transforming private industry and commerce: the greater part of private industrial enterprises will be transformed into various forms of state-capitalist economy, while the greater part of modern industrial enterprises owned by private interests will be transformed into the higher form of state-capitalist economy—joint state-private enterprises; over a half of all private commercial enterprises will be transformed into various forms of state-capitalist commercial enterprises or into small co-operative commercial concerns organized by small traders and pedlars.

B. ARRANGEMENTS FOR THE TRANSFORMATION OF CAPITALIST INDUSTRY

In regard to state, co-operative, joint state-private and private industries, the principle laid down by the state for unified planning with due consideration for all parties concerned should be observed in allocating production assignments, distributing raw materials and in the government purchasing programme. On the one hand, however, the state gives priority to the development of socialist industries while enterprises of the non-socialist economic sector do not have such priority; here lies a distinction. On the other hand, due consideration should be given to the role of private

industry during the transition period in our country and, in some respects, especially regarding workers and staff, no distinction should be made between state and private enterprises.

In order to regulate private industry and commerce during the period of rehabilitation of the national economy, the state adopted the policy of giving contracts for the manufacture and processing of goods to some private factories (first of all the cotton mills). This policy has proved very effective in organizing the production of private industry. Since planned construction began in 1953, the state, in order to strengthen planned production, has carried out a policy of purchasing nearly the whole or the greater part of the supplies of many important raw materials and arranged unified allocation of raw materials thus purchased. By that time, the state had already brought the bulk of the output of private industrial concerns into the sphere of government contracts for the manufacture and processing of goods and the state purchasing and distribution programmes, thus turning these private industrial concerns into state-capitalist concerns of the lower and intermediate forms. There was an increase in the number of state contracts arranged for manufacture and processing of goods during the campaign to resist U.S. aggression and aid Korea and when large-scale construction work began in 1953; there was also some lack of planning in trade departments regarding such contracts and as a result, factories, both state and private, in some branches of industry rashly expanded capacity so when the volume of contracts for some types of goods showed a relative decrease in 1954, certain branches of industry found themselves working below capacity. In addition, allocation of raw materials and production assignments among state and private factories in those branches of

industry which were operating below capacity, were not very well arranged for a time—joint state-private factories and private factories got smaller shares. The result was that private factories in certain branches of industry were faced with some difficulties. This state of affairs has now been remedied.

In accordance with the state's principle of unified planning with due consideration for all parties concerned, an over-all arrangement is being made to cover production in state and private industry. If necessary, state factories may be given more generous quotas with regard to allocation of raw materials and contracts. At the same time, however, due consideration must be given to joint state-private factories and private factories, so as to enable them to carry on production. This is because only by keeping private factories in operation can we help to strengthen the unity and solidarity of the working class, maintain the necessary economic alliance between the working class and the bourgeoisie during the transition period, and also smoothly carry out the transformation of capitalist industry and commerce.

In drawing up industrial production plans, the various industrial ministries of the Central People's Government should take account of the productive capacity of private industries, bring them into the plan and make good use of them. At the same time, special central and local agencies will be established which will, in collaboration with the industrial ministries concerned, share the work of looking after the joint state-private enterprises and private concerns.

In accordance with the principle of unified planning with due consideration for all parties concerned, and by means of an over-all arrangement within each branch of industry, the state is carrying through the transformation of private industries trade by trade.

These arrangements involve not just a few factories, but all private factories in a given branch of industry. For instance, mergers of state and private capital are carried out in all enterprises which are ripe for it. Where conditions are not yet ripe for such mergers, the state, in so far as possible, negotiates contracts with enterprises for the manufacture and processing of goods, or purchases their products. Private owners of medium and small factories are encouraged, where conditions permit, to gradually arrange the joint operation of their factories or amalgamate them with the leading, bigger plants, thus creating conditions for future mergers of state and private capital. As for those factories which really lack conditions for transformation and must inevitably go out of existence, they are helped to make suitable arrangements for their workers and staff before closing down. Joint state-private enterprises are to be systematically increased in number and expanded by means of the measures listed above.

We should make energetic efforts to transform private industries into joint state-private enterprises, but we must proceed steadily and avoid rash steps. Preparatory work should be well done so that after such mergers, management will be improved, and there will be a clear system of responsibility and no drop in production.

Owners of private enterprises which are making profits should be allowed that portion of the profits due to them according to law. In joint state-private enterprises, private shareholders should also receive dividends according to law. At the same time, however, due punishment should be meted out to law-breaking capitalists who once more take to the "five evils" (bribery of government workers, tax evasion, theft of state property, cheating on government con-

tracts, and stealing economic information for speculation) and also to those law-breaking capitalists who oppose the leadership of the state, undermine the unity of the working class and engage in sabotage.

C. ARRANGEMENTS FOR THE TRANSFORMATION OF CAPITALIST COMMERCE

There are two major categories of private trade: wholesale and retail. We should adopt the following measures towards merchants in these two categories:

The great majority of merchants engaged in wholesale business are capitalists with a relatively large capital and staff. If these wholesalers are allowed to control the market's sources of commodity supply, they will inevitably engage in unscrupulous profiteering and all sorts of speculation and hoarding to the detriment of the national welfare and the people's livelihood. Wholesale business in principal commodities must therefore be in the hands of state trading organizations. From 1950 to the first half of 1953, the turnover of wholesale dealers gradually declined as a result of the state buying up staple farm products, awarding contracts for manufacturing and processing goods and large-scale government purchasing of important industrial products. Since the second half of 1953, the state has carried out planned purchase and supply of grain, oil-bearing seeds, cotton and cloth, and in the case of the bulk of industrial products has excluded wholesale dealers, as a rule, from control over commodity supplies all the way from the factory to the retailer, thus making it impossible for them to speculate in or hoard those commodities the demand for which exceeds supply. Some wholesale dealers who have thus been deprived of their supply of commodities are permitted by the state to engage in wholesale trade by getting their supplies

from the state; in other cases, the personnel of these private concerns are being given employment by state trading agencies.

Private wholesalers are allowed to carry on their business in some commodities in which state wholesale agencies do not trade or deal only with part of the market. The business of those private wholesalers who are still able to carry on will be transformed by the state gradually into state-capitalist enterprises.

Retailers form the overwhelming majority of merchants. Apart from the commercial capitalists, most retailers are shop employees, small traders and pedlars who do not employ shop assistants. The rest are handicraftsmen who sell their products themselves and those engaged in the food and drink and service trades. Compared with pre-liberation days, retail business has undergone a great change in recent years. Since the state began to give contracts for the manufacture and processing of goods and for state purchase and distribution of nearly all industrial products, and since the co-operatives began purchasing the principal agricultural products, most retailers, including shopkeepers and stall-keepers as well as pedlars, have had to depend for their supply of commodities on the wholesale agencies of state trading organizations and co-operatives. Consequently, their business largely consists in acting as distributors working on a commission basis on behalf of state trading organizations or co-operatives, or purchasing commodities from state and co-operative stores and retailing them at fixed prices.

With regard to the socialist transformation of commerce, after the winter of 1953 the volume of trade handled by private retailers was cut rather sharply as a result of the somewhat too rapid increase, in certain places, of the volume of retail trade handled

by state trading organizations, and especially co-operatives. Readjustments have since been made. In order to enable private retailers, small traders and pedlars in urban and rural areas to maintain their business, the state has temporarily stopped the increase or suitably reduced retail sales of all state trading organizations and co-operatives in cities and towns where their volume of retail trade increased to an excessive degree. Co-operatives in towns have also appropriately reduced their retail trade in favour of wholesale trade; they have made arrangements whereby small traders and pedlars either work for them on a commission basis as distributors or purchase goods from them for retail at fixed prices. At the same time, all cities and towns should, taking local conditions into consideration, work out what should be the proportion between the volume of state and privately run retail sales in each trade, which will not only stabilize commodity market prices but also maintain the business of private retailers. We should also do our best to keep these proportions stable over a given period so as to enable the necessary arrangements to be made for those engaged in private trade, and carry out trade by trade the socialist transformation of private business.

D. THE DUTY OF CAPITALISTS TO ABIDE BY THE LAWS OF THE STATE AND ACCEPT THE POLICY OF TRANSFORMATION

In the course of socialist transformation, private industry and commerce can hardly avoid certain difficulties in carrying on production and doing business. Under the principle laid down by the state for unified planning with due consideration for all parties concerned, and for the over-all arrangement of private industry and commerce, industrial and commercial capitalists should do their best to overcome

difficulties, place themselves under the leadership of the state economy, adhere to state plans, actively reorganize their enterprises and improve management so as to prepare the way for socialist transformation.

In the past few years, there has emerged a group of private industrialists and merchants who are patriotic and law-abiding, who adopt a positive attitude towards socialist transformation and set a good example for others. They receive approbation and due consideration from the state. On the other hand, there are still capitalists who adopt a negative attitude towards socialist transformation. Some of them still engage in illegal activities "which injure the public interest, disrupt the social-economic order, or undermine the economic plan of the state," activities prohibited by the Constitution, and they are again indulging in the "five evils," though in a more cunning way. Some of them have even resisted or sabotaged socialist transformation. Such people deserve public condemnation and punishment according to law.

The various complex forms that have been adopted for the socialist transformation of capitalist industry and commerce are products of the specific historical conditions of the transition period in which the working class forms an economic alliance with the bourgeoisie. At the same time, however, we must know that these also constitute a specific kind of class struggle. The view that transformation can be achieved without struggle does not conform either to the history of social development or to practical conditions, and so is entirely wrong. In accordance with the provisions of the Constitution, during the transition period we protect the right of capitalists to own means of production and other capital according to law, and permit law-abiding capitalists for a certain period to make profits as provided for by government

regulations. At the same time, due punishment must be meted out to law-breaking capitalists. It is true that private retailers who hire no employees work themselves and so we should rally them together, but since they are working in the business of exchanging commodities, and, at the same time, are private owners, they can easily turn into speculators. This is why their socialist transformation also requires a certain degree and a certain form of struggle.

Experience in the past few years shows that the transformation of capitalist enterprises must be carried out in conjunction with the ideological remoulding of capitalists. We encourage capitalists to take steps to study the fundamental tasks and various policies of the state during the transition period, to remould themselves, abide by the laws of the state and actively support the cause of socialist transformation by the state.

5. ENSURING STABILITY OF THE MARKET

A stable market is a prerequisite for the carrying out of the First Five-Year Plan.

To ensure stability of the market, the draft First Five-Year Plan directs that we should:

(1) Continue to balance revenue and expenditure and increase reserves of financial and material resources;

(2) Increase the exchange of goods between town and countryside, between home and abroad, and expand the circulation of commodities in step with the growth of industrial and agricultural production;

(3) Implement step by step, on the basis of a vigorous effort to increase production, the policy of planned purchase and supply of certain principal in-

dustrial and agricultural products the supply of which lags behind demand.

The market was stabilized very soon after the founding of the People's Republic of China, that is, as early as the beginning of 1950. This was associated with such measures as balancing state revenue and expenditure, and state control of large reserves of material resources. By balancing state revenue and expenditure, it was possible to stabilize the value of the currency and commodity prices. By state control of large reserves of material resources, it was possible to supply the market with necessary materials and to fight the hoarding of goods and speculating by merchants. This stabilizing of the market was an important achievement of our country during the period of economic rehabilitation. It played a significant role in the rapid rehabilitation of the national economy and improvement of the people's livelihood. There can be no doubt that we must continue to consolidate this success during the period of planned economic construction.

Increasing the exchange of goods between town and countryside and between home and abroad, and expanding the circulation of commodities in order to facilitate the growth of production and economic prosperity and to consolidate the worker-peasant alliance—these are important aspects of our national economic policy. The First Five-Year Plan requires that we continue this policy by working energetically to increase production and the supply of goods.

Under the Five-Year Plan production of all major consumer goods sold by state and private trading concerns will increase in varying degrees. Here are several of the main items of mass consumption whose production will increase by the following amounts in 1957 as compared with 1952: grain, 13.3 per cent;

pork, 57 per cent; edible vegetable oil, 65.9 per cent; aquatic products, 70.1 per cent; table salt, 34.3 per cent; sugar, 122.9 per cent; cotton piece-goods, 55.1 per cent; knit goods, 105.3 per cent; rubber shoes, 69.8 per cent; kerosene, 143.5 per cent; machine-made paper, 89.2 per cent; cigarettes, 87 per cent. Under ordinary conditions the rate of increase in the production of these main items of mass consumption is **not** low. Never before has China achieved such a high rate of increase in such a short time.

Nevertheless, over a fairly long period the situation will exist where the rate of growth of the people's purchasing power will be higher than that of the production of consumer goods, while the rate of growth of purchasing power will rise quicker in the countryside than in the city. This is because of the constant improvement of the people's livelihood, the rapid growth of the people's purchasing power, the fact that a large number of industrial enterprises established with state capital will only be able to make great increases in supplies of commodities after the lapse of a certain period of time, and because of the fact that the relatively slow increase in the production of industrial crops will for the time being unavoidably restrict production increases in a number of light industries. It is hardly possible to avoid, over a certain period of time, a situation in which supplies of many kinds of commodities fail to meet the demand.

At the first session of the First National People's Congress convened in 1954, Comrade Chen Yun explained in detail in his statement that the basic reason why supplies of such consumer goods as grain, edible oil, meat, piece-goods, etc., lagged behind rising demands was that the rate of growth of the people's purchasing power surpassed the rate of increase in the production of these consumer goods, and not, as

some people supposed, that the production of consumer goods had been reduced in volume or that they had been exported in excessive amounts.

We are of the opinion that we should not allow a situation to develop in which supplies of certain consumer goods lag behind a rising demand; effective measures must be taken to solve this problem step by step.

An increase in the supply of consumer goods to the people can only be achieved gradually by developing industrial and agricultural production. Hence, the basic solution of the problem of certain consumer goods failing to meet rising demand lies in the development of industrial and agricultural production. This is the task of the whole people, particularly of the workers and peasants.

Apart from making efforts to increase production, for the purpose of continuing to maintain the stability of the market, the state must take into consideration the different circumstances in the production of major commodities and step by step carry out the policy of planned purchase and supply so that it will be possible to control sources of supply and organize the supply of commodities according to plan, and wage a serious fight against speculators and prevent merchants from manipulating the market.

The state started planned purchase and supply of grain in November 1953, and later followed this with planned purchase and supply of edible vegetable oil. In September 1954, planned purchase of cotton and planned purchase and supply of cotton cloth were also put into operation. In these two years, the state awarded contracts on a larger scale for manufacture and processing of industrial products by private firms and for state purchasing or distribution of goods manufactured by private firms. The state also increased

its purchases of other principal agricultural products. The facts prove that these measures do not harm but benefit both the producers of commodities and the broad mass of consumers. They are disadvantageous only to speculators because they prevent speculation. There is no doubt that these measures are an important guarantee of fulfilment of the Five-Year Plan by the state and conform to the immediate and long-term interests of the people. The implementation of this policy will, of course, bring about a certain change in the way of life of hundreds of millions of people and a reorganization of supply and distribution. It is also very difficult to ensure that there are no shortcomings in the way this great reform works out during its first few years. But we must realize that our positive achievements are the main part of the picture.

In carrying out planned purchase and supply of grain, in the spring of 1955 the state began to apply a fixed quota system for producing, purchasing and marketing; it fixed the total amount which will be purchased under the plan throughout the country and this will not be changed during the next three years. Recently, because it was found that the supplying of grain to both town and countryside was not too well controlled or calculated, the state worked out practical measures to improve the supply of grain, took firm steps to reduce the amount of waste in consumption, so that the quota of grain purchased can be reduced to a suitable level and a certain quantity of grain held in reserve. These measures not only enable the state to bring the necessary amounts of grain under its control, thus ensuring a supply of grain to the people, but also to give further encouragement to the initiative of the peasants in increasing production and thus speed the growth of agricultural production. This is extremely important in improving relations between

town and countryside, in strengthening the links between industry and agriculture, and consolidating unity between the working class and peasants. That is why we must persuade the working class, all others who are short of grain, and all grain consumers to economize grain as much as possible so as to reduce the amounts which the state must supply. This will enable the state to reduce the purchasing quota, and enhance the initiative of the peasants, particularly the middle peasants, in production.

There are some people who entertain doubts or even adopt an attitude of opposition to the policy of planned purchase and supply of grain. Some, seizing on certain defects in our work, deny the tremendous achievements made in carrying out this policy. They fail to see the fact that on the whole the situation is good. Such negative attitudes are of course quite wrong.

What are the advantages of planned purchase and supply of grain? The peasants themselves have given a very good answer to this question. On his return from a recent tour of inspection in the rural areas of Chekiang Province, Mr. Liang Hsi, deputy to the National People's Congress, related that the peasants in Hsinchien *hsiang*, Shaoshing County, enumerated twelve advantages: "It aids industry, helps prepare the liberation of Taiwan, helps the people in areas hit by natural calamities, stabilizes prices, promotes mutual aid and co-operation, increases and develops production, economizes grain and reduces waste, weakens capitalism, gives us bank savings on preferential terms, raises living standards, ensures fair shares for all and saves us time."

We can sum up these advantages in the following terms:

Firstly, it aids industrial construction and strengthens national defence.

This means to ensure that the grain they need goes to more than ninety million people in the cities, towns and industrial and mining areas and to several million more in national defence and public security units. Everyone knows that the peasants do not want the counter-revolution to stage a come-back and that they look forward to the liberation of Taiwan. But it is impossible to prevent a come-back of the counter-revolution and liberate Taiwan without industrial construction and the strengthening of national defences. So to support industrial construction and the strengthening of national defences is at the same time to safeguard the interests of the peasants themselves—and the peasants know this very well.

Secondly, it protects the purchase and sale of grain and other principal agricultural produce from manipulation by merchant speculators and protects both producers and consumers from exploitation by merchant speculators, who buy cheap and sell dear.

If planned purchase and supply were not enforced, merchants would manipulate the grain market and get rich on their ill-gotten gains, the stability of commodity prices throughout the domestic market would be disrupted, capitalism and the process of class differentiation in the rural areas would develop, thousands upon thousands of peasants would go bankrupt and the living standards of the masses of workers and the urban population would deteriorate. The peasants and the rest of the masses are clear on this point too.

Thirdly, it promotes the development of agriculture, animal husbandry, forestry, fishery, the salt industry and subsidiary rural production.

This means guaranteed supplies of grain to satisfy the needs of the poor peasants, rural handicraftsmen

and other people who are short of grain, it means assured supplies of grain to peasants in areas under industrial crops, and non-agricultural labourers such as herdsmen, lumbermen, fishermen, salt producers and boat dwellers, so that they can get grain at reasonable prices and work productively free from worry.

Fourthly, the policy of planned purchase and supply of grain has played an important part in ensuring supplies of grain to people in areas hit by natural calamities.

In 1954, large areas of our country suffered damage by floods unprecedented in the past hundred years. If the state had not carried out this grain policy, there is no knowing how the people in the flood-stricken areas would have lived and restored production there. It is quite understandable that the people in the affected areas regard the People's Government as a good government, unexampled in Chinese history.

Fifthly, planned purchase and supply of grain has dealt a blow to merchant speculators and rich peasants, that is to say, to the rural capitalist economy; it has further weakened the influence of capitalism among the peasants and also weakened the tendency among them towards the spontaneous development of capitalism; thus, it has promoted the development of co-operation in agricultural production.

All this shows that planned purchase and supply of grain plays an important part in our country's socialist construction and the work of socialist transformation and serves the vital interests of the entire people. This is an important measure for fulfilling the fundamental task of the state in the period of transition. Facts prove that this policy is absolutely necessary and must be resolutely carried through. But the actual methods of purchase and supply should be

constantly improved in order to overcome shortcomings and consolidate achievements.

We should supply the peasants, first of all and to the utmost extent, with necessary means of production and of life so that they can increase production and improve their living conditions with the money they get from the sale of grain. This will have an immediate effect on the smooth implementation of the grain purchasing plan; it will be a great help in relieving the pressure on the supply of grain exerted by the growing purchasing power in the countryside. This was why, in 1953, at the same time when planned purchase and supply of grain was introduced, the state decided that "in supplying manufactured goods which are necessary to both town and countryside, priority should be given to the countryside." During the past two years, state and co-operative trading concerns have carried out this policy with success, but not without shortcomings. The main defects were that supplies were not always timely nor did they always suit the need. The peasants' needs are practical and varied, and they differ from place to place. State and co-operative trading concerns must work conscientiously to improve supplies of manufactured goods to the countryside according to local differences, seasonal changes and the varying habits of the peasants.

6. TRAINING PERSONNEL FOR CONSTRUCTION

Shortage of scientific and technical personnel is obviously a serious obstacle in the way of our advance. One of the major political tasks that we have to fulfil in the periods of the First and Second Five-Year

Plans is to train large numbers of engineers and technicians loyal to our motherland and the cause of socialism and equipped with up-to-date scientific knowledge; we must train skilled workers and specialists in all fields.

This work of training personnel for construction in the five-year period is being conducted along two lines: on the one hand, we are reorganizing, expanding and building institutions of higher education and secondary vocational schools; on the other hand, we are taking advantage of favourable conditions in enterprises and government bodies to open various kinds of spare-time schools and training classes.

Since the liberation of the country, the state has energetically reorganized and expanded institutions of higher education and secondary vocational schools; it has established new institutions and schools and rapidly increased the number of students. The main stress in higher education in the five-year period is on development of engineering colleges and natural science departments in universities. Colleges of agriculture and forestry, teachers' colleges, medical colleges, pharmacological institutes, and other types of schools are also being appropriately expanded. By 1957 China will have 208 institutions of higher education.

In secondary vocational education the emphasis is also on training technical and administrative personnel for industry and agriculture.

In training personnel for construction in institutions of higher education and secondary vocational schools, we must see to it that the standard of training is raised while we increase the number of students trained; we must find the correct balance between the need to raise the standard of training and the need to increase the number of students. The tendency

to go after numbers only and ignore quality is clearly not in the interests of the state plan of construction. The higher engineering institutes have already begun to feel that the number of students has increased too rapidly while the standards of learning and skill of the students are not high enough. Factories and mines have universally put forward the proposal that higher professional standards must be demanded of technical personnel during training.

From now on we must pay keen attention to the standards demanded of students. Once we can guarantee such standards, we can then increase enrolments to a suitable level, seeing to it that the technical personnel trained are politically reliable, are competent, have an adequate knowledge of modern science and technology, and are at the same time in good health. The qualifications demanded of students can of course only be raised gradually, but we must take positive steps to raise them. We cannot expect too much too soon, nor mechanically demand the same from everybody. But there must be a minimum standard. For instance, conditions of enrolment of new students in institutions of higher education should require that they be at least politically reliable, physically capable of coping with the programme of studies and intellectually able to keep up with the class. It is impossible or very difficult to turn students who do not meet these minimum requirements into useful construction personnel.

In the light of this policy, the Ministry of Higher Education has revised the enrolment plan of higher educational institutions for the last three years of the First Five-Year Plan period. It has also decided to replace, by stages and within two to three years, the four-year system in engineering colleges with the five-year system and gradually abolish the two-year

and three-year special courses. It has decided to take positive steps to reorganize secondary vocational schools, raise their standards and enlarge existing schools and build new ones as needed. At the same time, it has decided to look thoroughly into enrolment figures, studying the proportions of students in various specialized fields, so as to dovetail the training programmes of the various specialized institutes with the needs of operational departments.

In working out plans for the training of personnel for construction, special attention should be paid to spare-time education. The state should gradually open large numbers of correspondence schools and university night schools so that personnel who lack a systematic scientific and technical education can have a chance to increase their cultural, scientific and technical knowledge stage by stage. Regular workers' spare-time schools, ranging from primary and middle schools to universities, should also be gradually established on a large scale in the larger factories and mines or in industrial and mining areas, in order to bring about a steady rise in the workers' level of education and scientific and technical knowledge. In the past, our leading educational bodies and trade unions failed to give enough attention to workers' spare-time education, allowing it to go its own way. The standards of many spare-time schools could not be raised for lack of leadership, competent teachers and teaching materials. We must remedy this defect and give due attention to the training of factory and office workers on the job as a vital, organic part of the programme of training personnel for construction.

In order to meet the needs of nationwide economic construction, future plans of development should be designed to remedy gradually the over-concentration

of institutions of higher education, especially engineering colleges, in the coastal cities. From now on, higher educational institutions, in general, should not be established or expanded on a large scale in the coastal cities, but should be set up gradually in the inland areas on a reasonable basis of distribution.

In order to meet the needs of the national minorities' economic and cultural development we must pay attention to training personnel from among them for industry, agriculture, transport, commerce and cultural work.

While a vigorous programme of training personnel for construction is being pushed ahead, state organs at all levels and all enterprises should pay the fullest attention to rational utilization of existing scientific and technical personnel. Many industrial enterprises, capital construction projects, economic agencies and leading economic organs have not yet rationally apportioned or utilized scientific and technical personnel, they have placed individuals in jobs unrelated to their specialized skills, or failed to bring their capacities and specialized skills into full play even though they were assigned to the right jobs. In general, an inordinate number of technical personnel are at present placed in high-level departments and administrative bodies. At the same time, some enterprises, factories and mines have not given sufficient backing to the inventions and rationalization proposals of such personnel. It should be recognized that the slightest waste of our technical forces is a loss to the national construction programme. We absolutely cannot allow a situation to continue in which, on one pretext or another, many people with specialized skills have been placed in unsuitable positions for prolonged periods, thus preventing them from making their full contribution to

the country. On the other hand, we must also see that the political consciousness of our scientific and technical personnel is raised steadily in the course of their work, so that they will develop the outlook of men dedicated to working whole-heartedly for the people, serving the needs of the country's construction and unafraid of difficulties or hardships.

7. IMPROVING THE MATERIAL WELL-BEING AND CULTURAL STANDARD OF THE PEOPLE

The supreme aim of the people's revolution and socialist construction is to bring about a steady rise in the level of the people's standard of living and cultural well-being.

Since the liberation, there has been a progressive rise in the material well-being and cultural standard of the people of the various nationalities in China. In the three years of rehabilitation, along with the stabilization of commodity prices, the rise in the number of employed, wage increases and agrarian reform, the income of the urban and rural population has gone up and the people's material life has been improved to a marked degree, with a resultant invigoration of cultural life. The people of the national minorities are also to a certain extent living a better life as a result of the policy of the government in helping them to promote production and trade and stabilize social order, and the measures it has taken to improve cultural and public health work and so on. As I said in the second part of my report, the various production targets and measures laid down in the Five-Year Plan mean that the material and cultural level of the people of the entire country will be further raised.

The targets laid down in the Five-Year Plan for improving the material well-being and cultural standard of the people are the maximum that our country can achieve at the present stage. We do not deny that the present standard of living of our people is still relatively low. But the satisfaction of the people's needs is governed by the productive forces and material resources that society has at its disposal. Improvements in the people's standard of living must be based on development of production and a rise in labour productivity. Our industrial and agricultural output has grown year by year, but is still at a very low level. Labour productivity in industry and transport has risen year by year, but is still not high enough. If we want to develop production and maintain a high rate of development so as to create the material foundations for improving the people's life, we must expand construction in heavy industry and other branches of our economy. Therefore, we cannot use up all the fruits of increased production and labour productivity to better living standard; we must set aside a suitable portion as investment capital for the country's construction needs.

The question before us is: What is our choice—shall we set aside the necessary financial resources for the country's construction and thus lay the material basis for improving the people's life, or shall we raise wages to an unreasonable extent and spend carelessly, and thus pare down and delay the construction programme?

We are convinced that, taking into consideration the long-term interests of the entire people, we should first of all put aside whatever financial resources are needed for the country's construction and, at the same time, raise standard of living in accordance with the targets laid down in the Five-Year Plan.

The very purpose of construction is to raise future living standard. Unless we work hard at construction today, we cannot enjoy a happier life tomorrow. It is illusory and therefore wrong to think and act on the assumption that we can at one stroke bring about a sharp rise in the people's standard of living without having to do hard constructive work.

Of course, all personnel in state organs and enterprises should at all times concern themselves with the life of the masses and should gradually improve their well-being whenever conditions permit. It is wrong to adopt an attitude of unconcern with regard to the people's livelihood and not to try to solve those questions which must and can be solved. The correct thing to do is to integrate the people's immediate interests with their long-term interests, and in keeping with the prior needs of national construction, suitably raise the people's standard of living.

Everything possible must be done to ensure the attainment of the Five-Year Plan's targets and measures for improving the material well-being and cultural standard of the people. This will imbue our people of the various nationalities with a genuine feeling of the need for national construction and an understanding of the relation between this and the vital interests of everyone. This in turn will encourage them to take an active and creative part in the construction programme.

The question has been asked: Can we raise the production of consumer goods to levels above the targets laid down in the Five-Year Plan and so satisfy more of the people's needs?

We think that efforts should be made to raise production and to increase supplies. But it should be noted that for the time being the average increase of

consumer goods which each person can actually get is limited. This is because the number of employed will continue to increase, the purchasing power of the peasants will continue to rise, those who took only a small share of these consumer goods in the past are probably going to increase their consumption of them, and, furthermore, China has a population of 600 million. We must, of course, continue our efforts to discover latent productive capacity, and it would be a mistake to ignore such efforts. But, as we have said earlier, there are for the time being certain limitations on supplies of industrial raw materials. Big increases in the output of agricultural produce or consumer goods made out of agricultural raw materials can be brought about only after large-scale mechanization of agriculture and large-scale mechanized reclamation of wasteland.

Another question which has been asked is: Can we expand the programme for cultural and educational development to meet the ever-increasing demands of the people?

We are of the opinion that more ways should be found in order to satisfy adequately the cultural and educational demands of the people. The various targets for development of cultural and educational undertakings in 1952 already exceeded peak pre-liberation levels, and it is on this basis that the Five-Year Plan has set targets for further development. However, some cultural and educational establishments are still unable to satisfy fully the people's growing demands for a richer cultural life. For example, the number of primary schools falls short of the needs of the children who have reached school age, that of the middle schools falls short of the needs of primary school graduates, and so on. To deal with this question, the state, while continuing the planned develop-

ment of cultural and educational undertakings, encourages people to organize themselves certain cultural and educational services such as primary schools, peasants' spare-time schools, amateur theatrical groups, etc. The state will give guidance to the work of such establishments, and wherever possible, assistance in personnel, funds and materials. At the same time, state organs and enterprises everywhere should as far as possible open all types of special classes, night schools, correspondence schools, etc., in order to enable young people who cannot pursue their studies in schools to raise their educational level while continuing their work.

A rise in the people's standard of living can only be achieved by a steady advance; a happy life can be attained only by the hard work of the people themselves. We can be sure that, as a result of the industrious and painstaking labour of 600 million people and when China's productivity has been greatly raised in the course of several five-year plans, it will be possible to bring about an immense improvement in the people's material well-being and cultural standard. This is the only way to raise the standard of living of our people. There is no shortcut.

8. PRACTISING STRICT ECONOMY

The First Five-Year Plan for Development of the National Economy centres on the vigorous development of heavy industry. Building up heavy industry requires large, long-term capital investments. These indispensable funds have to be accumulated internally. This makes necessary a regime of the strictest economy, which eliminates all unnecessary expenditure and all uncalled-for, non-productive expenditure, which

permits no waste, not even the slightest, so that all possible funds can be accumulated for national construction and for building up necessary reserves for the state.

Summing up the First Five-Year Plan of the U.S.S.R., Stalin pointed out: "To exercise the strictest economy and to accumulate the resources necessary for financing the industrialization of our country—such was the road that had to be taken in order to secure the restoration of heavy industry and to carry out the Five-Year Plan." The road taken by the Soviet Union is the road which we must take now. Our national economy at the present time is more backward than that of the Soviet Union during its First Five-Year Plan. Consequently, the accumulation of funds for construction will be more difficult in this country than in the Soviet Union at that time. It is therefore all the more important and urgent for our country to practise strict economy in order to accumulate funds for construction. We must emulate the spirit of the Soviet people who in their time saved on food and clothing for the sake of national construction. We should also carry on our people's own fine traditions—of industriousness, frugality and perseverance.

In the past few years, with state organs continuing to increase their efficiency and state enterprises continuing to improve operation and management, we have succeeded each year in reducing costs of construction and installation of equipment, costs of production, transport, and posts and telecommunications and charges on circulation of commodities. By this means, we have accumulated more funds for national construction and cut down waste. These achievements should certainly be recognized, but it is also undeniable that serious waste still exists in certain spheres, departments, areas and enterprises. Quite a number

of government workers have forgotten the Chinese Communist Party's revolutionary traditions of hard struggle. Not realizing that following the victory of the people's revolution, long, self-sacrificing efforts are still needed for socialist industrial construction, they frequently violate state regulations on practising economy and business accounting. Chairman Mao Tse-tung in his *Economic and Financial Problems During the Anti-Japanese War* wrote: "Economy deserves the attention of all our organizations, and particularly those engaged in economic and financial work." In building socialism, our present task is to follow these instructions of Chairman Mao Tse-tung still more earnestly, and effectively establish various regulations on practising economy, master the method of managing state organs and state-owned enterprises economically and wage a ruthless struggle against waste in all spheres.

First of all, we should drastically curtail building costs on non-productive projects. In the past few years, there has been widespread and serious extravagance and waste in the building of non-productive projects.

According to figures of the State Statistical Bureau, 21.6 per cent of the total investment of the six industrial ministries of the Central People's Government in 1953 and 1954 was non-productive investment. In the First Five-Year Plan of the Soviet Union, however, non-productive investment in the industrial departments comprised only 14.5 per cent of total investment. Non-productive investment formed 24.3 per cent of this country's capital construction investment in 1954. This unreasonable ratio must be changed.

In non-productive establishments, an astonishing amount of waste has been caused by blind adoption of

a so-called "national style," undue emphasis on extravagant facades and decorations and the use of large quantities of costly or special materials in disregard of the principle of "suitability, economy and attractiveness as far as circumstances permit." Broad, towering roofs in the ancient palatial style, for example, caused a waste of 5,400,000 yuan on the 39 buildings erected by various state organs in the city of Peking. The building of the Changchun Institute of Geology, the so-called "Geological Palace," is a notorious example of extravagant building. It was built on the foundation of the unfinished imperial palace of the puppet "Manchukuo" state. But owing to much unnecessary decoration, the building cost comes to 220 yuan per square metre. If the cost of the original foundation is added, this soars to 300 yuan, which exceeds by 140 per cent the state-fixed ceiling cost of 125 yuan.

Building costs of some workers' housing projects are also excessive. The case of the workers' housing built in 1953 for the Anshan Iron and Steel Works may be cited as an example: here, housing with a floor space of 150,000 square metres was erected at a cost of 163 yuan per square metre.

Excessive ornamentation not only greatly increases building costs but greatly reduces the usable floor space of a building. The building cost of the main hall of a certain building in Peking is 293 yuan per square metre, but its usable floor space is only 44 per cent of the total floor space of the hall. The building cost of the general designing office of the Anshan Iron and Steel Works reached 240 yuan per square metre (this was 60 per cent above the budget, a waste of 1,380,000 yuan), but its usable floor space is less than 50 per cent of the total floor space of the building.

Such extravagant buildings which lay too much stress on form inevitably ignore the needs and interests of the people who use them. The cost of the laundry of a certain sanatorium, for example, reached 346 yuan per square metre, but, after the installation of the laundry machinery, the space left over was so small as to cause great inconvenience to the workers. The kitchen, which has a floor space of 450 square metres, costs 275 yuan per square metre but has no room for storing rice and flour.

Showy buildings naturally seem to require showy furniture and other interior appointments. Hence the growing fashion of buying such luxuries as rugs and sofas.

All this extravagant non-productive building is undesirable, because it does not conform to the principles of our socialist industrialization.

It is clear that by reducing needless expenditure in the building of such non-productive projects and eliminating other types of waste, we will be able to save very large amounts.

In the second place, we should drastically reduce construction costs of productive projects.

Personnel at some industrial construction projects do not follow the procedures prescribed for construction, nor do they try sufficiently hard to grasp what the real situation is and make systematic preparations for work. Sometimes they even purchase materials without making proper calculations and rush into construction before their plans are finalized. The result is widespread and serious waste of funds and idle dumps of material and equipment. The reconstruction of a certain iron and steel works affords a typical case of waste. Designs for its reconstruction went ahead even before it was decided to what extent the plant was to be reconstructed. Construction

began even before the designs were finished. After construction began, major changes were constantly made in designs. The result was that blue prints could not be produced in time or were discarded after being produced. The drafting of some blue prints was not correctly timed to the order of construction and others were marked "For reference only." So none of these blue prints could be depended upon for construction purposes. Since designing and construction were going on at the same time, the plan of construction was constantly upset by the frequent change of designs. This resulted in the work going in fits and starts with intermediate periods of enforced idleness and rush work, and unnecessary stockpiling of equipment and materials. Under such conditions, haste often resulted in waste of time. Construction of this iron and steel works has barely begun and the amount of work done in 1954 was less than half that originally planned. Waste caused by enforced idleness of workers alone amounted to two million yuan, while materials worth more than seven million yuan were kept lying idle. This bitter lesson of beginning construction without adequate preparation and proper designing deserves the serious attention of all those in charge of capital construction projects.

The more important the construction project, the greater the possibility of waste. This is because such construction projects are supported by the whole nation and no expense is grudged. Since attention is mainly concentrated on finishing the project, people are apt to overlook or excuse the waste involved. In building the First Motor Works, up to the end of November 1954 materials worth 10,570,000 yuan were unnecessarily stockpiled, and 6,300,000 yuan were wasted as a result of materials made unsuitable or spoilt, equipment damaged, materials irrationally used,

enforced idleness of workers, wrong designing and defective management.

Other causes of waste in construction include poor organization of labour, low rate of utilization of machinery and equipment and low quality of construction, all of which inevitably lead to low labour productivity and high construction costs.

It is obvious that the reduction of construction costs on productive projects will also save large sums.

Thirdly, we must greatly improve the system of business accounting in the various productive departments, and in transport, posts and telecommunications and commercial departments.

Products made in many of our enterprises are of poor quality and there are many rejects. Take some of the factories under the First Ministry of Machine-Building Industry for instance. Poor technique and low quality of products have resulted in a large number of rejects and articles which had to be made over again. The rate of rejects in iron castings in 1954 was 12.5 per cent and more than 20,000 tons of pig iron were spoilt. All this, plus rejects in processing, caused a year's loss of more than 20 million yuan.

In the first quarter of 1955, many products were of low quality. This is especially true of the products of enterprises under the Ministry of Heavy Industry and the First Ministry of Machine-Building Industry. Among the products of enterprises under the Ministry of Heavy Industry, 4,632 tons of pig iron produced in the first quarter of 1955 fell short of specifications due to excessive sulphur content. Thirty per cent of certain structural steels produced by the Anshan Iron and Steel Works was not up to specifications due to unsatisfactory chemical content. None of our glass-making enterprises fulfilled the target for production of Class A glass. Again, take for example the Dairen

Factory and Mine Car Plant, one of the enterprises under the First Ministry of Machine-Building Industry: 90 per cent of the 322 50-ton open wagons produced by that plant in the first quarter of the year had to be done over again because they did not come up to design specifications. The Shenyang Second Machine Tool Plant is an extreme case. All the 380 drilling machines produced by the plant had to be done over again because violation of the regular procedure for trial manufacture resulted in failure of the finished products to meet design specifications. Rejected parts alone caused a loss of 1,200,000 yuan. Consequently, from September 1954 to the first quarter of this year, the plant failed to turn out any finished products. Forty per cent of the ploughshares produced were rejects because their curves did not follow specifications and their metal parts were not of the required hardness after heat treatment. In textile products, the Ministry of Textile Industry did not reach the planned rate of production of standard quality plain and printed cotton cloth during the first quarter of this year. The unevenness of quality and actual fall in the quality of certain products of light industry, such as rubber shoes and sugar, produced by enterprises under the Ministry of Light Industry, was more serious than before.

Mismanagement has caused waste of large sums and much material at many of our enterprises. Take the Harbin Foodstuffs Company for instance. In 1954 more than 50 cases of waste occurred in the company, amounting to an on-the-record loss of 570,000 yuan. In 1954, the animal products processing factory of this company showed a loss of more than 800,000 yuan. This is a mess and it is still not clear how much of this was due to waste in that factory.

In 1954 certain enterprises under the Ministry of Commerce incurred losses of eight million yuan in dead pigs and spoilt eggs alone due to inefficient management. This fact has been published in the press.

There are also many enterprises with an excess of non-productive personnel and many inflated departments and divisions. Take the Penhsi Iron and Steel Works for instance, which is far from being an isolated case. Workers form only 56 per cent of the total personnel of the company, while administrative personnel constitute one quarter. According to the findings of the Peking Municipal Committee of the Chinese Communist Party, the Shihchingshan Iron and Steel Works, the Shihchingshan Power Plant and the Chingho Woollen Textile Mill can reduce their staff by more than 3,600 men, which is one quarter of the total number of workers and staff of these three units.

It is obvious that considerable sums can be saved by improving business accounting in the various economic departments and thereby reducing waste and rejects, cutting the norm for materials consumed, lowering production costs and circulation charges and reducing personnel not directly engaged in production.

Fourthly, we must further reduce administrative expenses of state organs.

In the past few years, we have annually brought about a progressive reduction of the proportion of administrative expenses of state organs to total state expenditure. Nevertheless, up to the present, there are still many state organs which are over-staffed, and some of them are still blindly taking on new personnel. This has made it difficult to effect a further reduction in administrative expenses. In accordance with the principle of simplifying organization, reducing staff and reapportioning personnel, it has now been decided

to start retrenchment in the central organizations by systematically transferring personnel from these organizations to productive departments at lower and intermediate levels. Local organizations at all levels should also carry out a systematic retrenchment. Facts prove that staff reduction in over-staffed organizations increases efficiency instead of reducing it. From now on, rigorous restrictions will be imposed on any increase of personnel in any state organ. Whenever an increase has to be made, we should, as far as possible, do it by shifting personnel from one department or organization to another. The state should decree that all government workers, including personnel in economic enterprises, should obey government orders to transfer to other work. Only in this way can we bring about a reasonable utilization of manpower and save the state's financial resources.

An immediate stop should be put to extravagance, which still exists in many state organs.

It is clear that a further considerable sum will be saved through retrenchment and elimination of extravagance in state organs.

In short, the state should, in the future, work out a series of regulations and arrangements for all-round economy, laying down what is permissible and what is impermissible. To do the impermissible will be a violation of law.

The State Council has decided that in the coming three years, the cost of construction and machine installation in productive enterprises should be brought at least 10 per cent below that set in the original plans, and that the building cost of various non-productive projects should be at least 15 per cent less than in the original plans. At the same time, with this as a basis, we should strive for a further annual reduction of 2 to 3 per cent or more in the costs of both productive

and non-productive construction projects. In this way we can save at least 2,000 million yuan for the state. If invested in industrial construction, this sum is enough to build a metallurgical enterprise with an annual output of one and a half million tons of iron and steel, or 30 power plants of 50,000 kilowatts each, or five tractor plants, each with an annual output of 15,000 tractors. If invested in railway construction, this sum is enough to build more than 3,000 kilometres of railways. If applied to agricultural construction, it is enough to reclaim more than 40 million to 50 million *mou* of wasteland. This shows clearly how important strict economy is for the socialist construction of our country.

In order to practise strict, all-round economy, we should severely criticize all thinking which opposes economy and encourages waste.

(1) We should criticize the idea that we must do everything at once. This is because to do everything at once means no priority for construction. Furthermore, as a result of funds being thinly spread over an excessive number of projects, construction will be too long-drawn-out and we will not get quick returns on our investments.

(2) We should criticize the erroneous view that since we are building modern industrial enterprises, all non-productive buildings and amenities must also be modernized. This is because a modern living standard must be preceded by and based on a modern industry. To demand modern living standard without modernized industry as a foundation and without modernized agriculture means, in effect, to delay industrial modernization.

(3) We should criticize the idea of "budgeting liberally and spending sparingly," because a padded budget precludes the possibility of economizing. Liberal

budgeting inevitably leads to liberal spending and waste.

(4) We must criticize the idea that a certain amount of waste is inevitable considering our lack of experience in construction work. If people responsible for work get this idea into their heads, then waste will truly become inevitable.

(5) We should criticize the idea that cases of waste are isolated and that waste is a "trifle." Such "trifles" exist in every factory, enterprise, government body and school. Once they are called "trifles," they are likely to be overlooked. But even a small case of waste will result in enormous waste if it is left unchecked. It is enormous if figured in terms of a whole department and still more the whole country for a year, five years, ten years or twenty years.

Only by viewing "trifles" in this light can we see the great need of rooting them out immediately, instead of heedlessly continuing to waste.

If we are to spread the movement for practising economy, we must overcome all the erroneous views mentioned above.

The state should improve financial control in order to ensure that regulations on practising economy are carried out. Not only financial departments should strengthen their financial control organizations. All enterprises and administrative and military departments should set up their own financial control organizations. All organizations and everyone concerned should observe the financial regulations and accept financial control. No organizations or individuals should excuse themselves or others where waste is concerned or substitute mutual forgiveness for mutual supervision and checking.

The movement for practising economy must embrace the entire population. People throughout the

country, and first of all, factory and office workers, should mobilize to take an active part in the struggle in every enterprise and state organ to economize funds, eliminate waste and keep a strict check on financial matters.

9. THE SOVIET UNION AND THE PEOPLE'S DEMOCRACIES, AND OUR CONSTRUCTION

Now I wish to speak on the relation between the assistance which the Soviet Union and the People's Democracies are giving us and our construction programme.

Everyone knows that the fact that our country is able to push ahead so rapidly with the First Five-Year Plan for Development of the National Economy is inseparable from the assistance given to us by the Soviet Union and the People's Democracies, and particularly the assistance of the Soviet Union. The 156 industrial construction projects which the Soviet Union is helping us to design form the nucleus of industrial construction in our First Five-Year Plan.

The Soviet Union is giving systematic, all-round assistance to our country's construction. On the 156 industrial projects which the Soviet Union is helping us to build, she is helping us from start to finish of the whole process, beginning with geological surveys, selecting construction sites, collecting basic data for designing, designing itself, supplying equipment, directing the work of construction, installation, and getting into production, and supplying technical information on new types of products, and ending with directing manufacture of the new products. Designs provided by the Soviet Union make extensive use of the most up-to-date technical achievements, and all the

equipment supplied to us by the Soviet Union is first-rate and of the latest type. The great Soviet working class, which is helping us with the greatest enthusiasm, is making every effort to produce the best equipment for us as quickly as possible. The great Soviet Government also gives us first priority in supplies of the best equipment.

The Soviet Government has also concluded a scientific and technical agreement with our government, on the basis of which the Soviet Union is giving a great deal of help to the economic construction of our country. The Soviet Government has also offered, on its own initiative, to give our country scientific, technical and industrial assistance in promoting research work in the use of atomic energy for peaceful purposes, and has also concluded an agreement with our country on the peaceful use of atomic energy.

In the midst of her own bustling construction for communism, the Soviet Union has sent large numbers of experts to our country to help us. They supply us with advanced experience gained in the socialist construction of the Soviet Union and give concrete help to us in all kinds of economic work. All of them possess not only a profound knowledge of science and technique and rich experience in practical work, but also a lofty spirit of internationalism and a selfless attitude to work. In industry, agriculture, water conservancy, forestry, railway, transport, posts and telecommunications, building construction, geology, education, public health and other departments, in scientific, technical and cultural co-operation, the Soviet experts faithfully and unreservedly contribute their experience, knowledge and skill. They regard the great cause of socialist construction of our country as their own. The communist working attitude of Soviet experts has set an example for the people of our country. It must

be said that our great achievements in economic construction are inseparable from the help of the Soviet experts.

Tremendous efforts have been made by the Soviet Union to help our country train technical personnel. The Soviet Union has accepted a large number of students and trainees from our country and provided them with every convenience in their studies and practical training. This is an important aid to us in mastering modern industrial technique, guaranteeing that our new enterprises go into operation properly and that our scientific level is raised. The Soviet experts who have come to our country have also made big contributions in the training of our technical personnel.

The Soviet Union has extended a great deal of financial aid to our country both by a succession of loans granted us on the most favourable terms and by trade, selling us technical equipment and materials at low prices. Such benefits in loans and trade also help the speedy restoration and development of our country's economy, and particularly our industrial construction.

It is clear from the above that Soviet assistance plays an extremely important part in enabling us to carry on our present construction work on such a large scale, at such high speed, on such a high technical level and, at the same time, avoid many mistakes.

Besides Soviet aid, our work of national construction has also received economic and technical assistance from the People's Democracies such as Poland, Czechoslovakia, Hungary, Rumania and the German Democratic Republic. At the same time, such People's Democracies as Mongolia, Bulgaria and Albania also co-operate with us economically.

The struggle of the heroic Korean and Vietnamese peoples for the independence and freedom of their countries plays an important part in the world movement for peace and democracy. Their struggle is also of enormous significance for the building of our country.

The Chinese Government and people express their heartfelt thanks for the aid of the Soviet Union and the People's Democracies, especially the great, long-term, all-round and unselfish assistance of the Soviet Union. In order to consolidate and advance the socialist industrialization of our country, we must further consolidate and develop our economic alliance and friendly co-operation with the Soviet Union and the People's Democracies, so as to promote the common economic advance of the socialist camp and strengthen the world forces of peace and democracy.

IV. STRIVE FOR THE FULFILMENT AND OVERFULFILMENT OF THE FIRST FIVE-YEAR PLAN

The First Five-Year Plan has been in operation for two years. It worked well as a whole in 1953 and 1954, although a number of mistakes and defects appeared in the course of planning and implementation.

The total value of output of industry and agriculture increased by 14.4 per cent in 1953 compared with 1952; and again by 9.4 per cent in 1954 compared with 1953. The average annual increase in the two years was 11.9 per cent, thus exceeding the average annual rate of increase of 8.6 per cent provided for by the Five-Year Plan.

Capital construction: In these two years, each annual plan for capital construction was nearly, though not fully, completed. The reasons were: delay in the work of collecting basic data needed for designing; the work of designing lagging behind schedule; blue prints, materials and equipment not supplied on time; lack of practical work schedules geared to the pace of construction; and a considerable amount of disorder at construction sites.

The actual amount of investment (i.e., the amount of work done) in the two years accounted for 32 per cent of the total investment for the five-year period. In the two years, 136 above-norm industrial enterprises went into production. Increases in production capacity of some principal industrial items are as follows: steel, 427,000 tons; electric power, 530,000 kilowatts; coal, 13 million tons; cement, 650,000 tons; cotton spindles, 700,000 spindles; machine-made paper, 40,000 tons; automobile tyres, 160,000; machine-processed sugar, 109,000 tons. During these two years, more than 1,400 kilometres of new railways were laid; track-laying on the Chining-Erhlien Railway and the Litang-Chanchiang Railway was completed. More than 6,600 kilometres of highways were built (including those built with capital provided by local authorities), among which the most important were the Sikang-Tibet and Chinghai-Tibet Highways. Several major water conservancy projects were completed in these two years, including the Sanho Dam and the Poshan Reservoir in the Huai River Basin, the Kuanting Reservoir on the Yungting River, and the cutting of a separate channel to the sea for the Taching and Tseya Rivers in Hopei Province. The main work on the Futseling Reservoir in the Huai River Basin was also completed. These projects later made a notable contribution in coping with the un-

usually heavy floods of 1954. In these two years, buildings of all kinds with a floor space of over 78 million square metres were erected by the state.

Industrial output: Both the 1953 and 1954 annual plans were overfulfilled. The total value of output of industry in 1954 was 53.7 per cent more than in 1952. There was a marked increase in the output of all principal products: pig iron production increased by 56 per cent; steel by 65 per cent; electric power by 51 per cent; coal by 26 per cent; cement by 61 per cent; timber by 111 per cent; cotton piece-goods by 37 per cent.

During these two years, labour productivity in state industry was raised by 29 per cent while costs of production dropped by 9.6 per cent.

In these first two years of industrial development, the changes brought about are:

First, in the total value of output of industry and agriculture, the proportion of the value of output of modern industry rose from 26.7 per cent in 1952 to 33 per cent in 1954;

Second, in the total value of output of industry, the proportion represented by state, co-operative and joint state-private industry rose from 61 per cent in 1952 to 75.1 per cent in 1954.

Agricultural production: As a result of the fact that in 1953 many areas suffered drought in spring and waterlogging in autumn and that in 1954 many areas experienced unusually heavy floods, plans for agricultural production in these two years were not fulfilled. However, taking the country as a whole, grain output in 1954 was still 3.4 per cent greater than in 1952, and during these first two years increases were registered in the yield of industrial crops including sugar-cane, sugar-beet, oil-bearing seeds and tobacco. Only cotton output declined.

There was great progress in the development of agricultural producers' co-operatives in these two years. By the end of 1954, there were nearly half a million such co-operatives, which provide favourable conditions for increasing agricultural output and furthering the growth of co-operation in farming.

Transport and posts and telecommunications: In these two years, railway freight mileage increased by 55 per cent; railway passenger mileage by 45 per cent; freight mileage of coastwise and inland shipping by 85 per cent; motor freight mileage by 175 per cent; there was also some expansion in civil air services and posts and telecommunications.

Trade: The total volume of retail trade in 1954 was approximately 41.7 per cent more than in 1952. The volume of state and co-operative trade rose from 63 per cent of the total volume of domestic wholesale trade in 1952 to 89 per cent in 1954. The volume of state and co-operative trade rose from some 34 per cent of the total volume of retail trade in 1952 to 58 per cent in 1954.

Culture, education and public health: In 1954, enrolment in institutions of higher education went up 33 per cent as compared with 1952; that of middle schools, 44 per cent; in primary schools, where attention in the past two years was focussed on improving educational standards, enrolment also increased. The number of hospital beds in 1954 was 34 per cent more than in 1952.

The total number of workers and staff in state, co-operative, joint state-private enterprises, cultural and educational establishments, and state organs rose by about three million during the two years. Excluding factory and office workers transferred from private enterprises to joint state-private enterprises and state enterprises, the actual increase was about two million.

The total amount of wages paid throughout the country was increased by 56 per cent and the average money wages of factory and office workers rose by 14 per cent. During the two years, the peasants' income from agricultural production and subsidiary rural production rose by about 7 per cent.

The above figures show that the two annual plans for 1953 and 1954 were successfully fulfilled through the efforts of the whole people under the guidance of the Communist Party of China and the Central People's Government.

It is quite possible to fulfil and overfulfil the targets set by the Five-Year Plan. Imperialists and reactionaries have again and again spread shameless lies to the effect that industrialization is impossible in China, or that our Five-Year Plan has already failed. But the Chinese people, under the leadership of the Communist Party of China, have already shown and will continue to show to the world by convincing facts that we have the power not only to carry out the great task of the people's democratic revolution but also to fulfil the even greater task of socialist construction and socialist transformation.

It is true to say that all tasks set by the First Five-Year Plan of our country, no matter to what sphere they belong, are gigantic and arduous. The tasks of the last three years of the plan are even greater and more arduous than those of the first two. From 1955 to 1957, we must fulfil 68 per cent of the total investment programme in capital construction for the five-year period; many large-scale factory, mine, railway and water conservancy projects which have complex technical requirements are to be started simultaneously. The total value of output of industry is to be increased by 29 per cent compared with 1954; we will complete trial manufacture of many new types

of technically complex products, and they will go into large-scale production.

Agriculture faces a very heavy task. Taking 1954 as a base, grain output is to be increased by 13.7 per cent, that is an increase of 46,600 million catties; cotton output is to be increased by 53.5 per cent, that is an increase of 11,400,000 *tan*. Railway freightage, in terms of ton-kilometres, will rise by 30 per cent over the 1954 figure. The tasks of highway and water transport are also very heavy. Compared with 1954, and as a result of the people's rising purchasing power, the volume of retail sales of commodities will increase by 27 per cent. Our tasks in the fields of culture, education, scientific research, health, etc., are also very heavy in the last three years.

Socialist transformation of agriculture, handicrafts, and capitalist industry and commerce demands more thorough and careful work; over-all arrangements should be made for private economy according to the policy of unified planning with due consideration for all parties concerned.

What has been said above makes it quite clear that the last three years are the most important period of the Five-Year Plan. Only by making a good job of the work assigned for these three years can we completely fulfil our Five-Year Plan.

Since our original productive forces were so weak, it is inevitable that difficulties should be met with in carrying out our large-scale construction plans in the First Five-Year Plan period. Our work is going ahead at a very intense pace. During the past two years and more, we dealt with many difficulties and accomplished many hard and complex tasks, but we must expect to meet all kinds of new difficulties in the future, and we will have to tackle even harder and more complex tasks.

We must be fully alive to difficulties caused by shortage of technical personnel and supplies of equipment lagging behind the requirements of construction, difficulties caused by the development of agriculture lagging behind the rapid development of industry, and difficulties which emerge in the process of bringing about over-all arrangements for all sectors of the economy in the course of socialist transformation. We must surmount these difficulties by using our manpower, material and financial resources in the most rational and effective way, improving our work in every field and adopting appropriate measures.

Our lack of experience in planning and the incompleteness of our statistical data are bound to affect the accuracy of our plans. In executing our plans, therefore, we must be constantly on the lookout to bring them into line with actual developments, iron out their imperfections and make them more accurate by learning from practical experience and the creative experience of the masses.

The First Five-Year Plan is of decisive significance as the programme of the Communist Party of China, leading the nation in the fight to realize the fundamental task of the transition period. Successful fulfilment of the First Five-Year Plan will be a decisive victory in the realization of this task. Under the leadership of the Communist Party of China and Chairman Mao Tse-tung, the people must close their ranks, mobilize their forces, make painstaking efforts to overcome all difficulties, increase production and practise strict economy, and work hard for the complete realization of the Five-Year Plan.

In the struggle to fulfil the Five-Year Plan, it is essential that the working class of the nation should bring their initiative and creativeness into full play and consistently raise labour productivity and lower

production costs. To this end we must raise the level of the political consciousness and technical, educational and vocational levels of factory and office workers; labour emulation must be developed, labour discipline strengthened and the latest experience studied and publicized. In this way, the broad ranks of factory and office workers will be drawn into the active struggle for the complete fulfilment of the state plan.

As we all know, the Five-Year Plan for Development of the National Economy includes not only a plan for industry, but also plans for agriculture and all other branches of the economy. Therefore, the labour of all the personnel of various departments, the labour of factory and office workers in all state, co-operative, joint state-private, and private enterprises, of handicraftsmen and handicraft workshop employees, of workers and staff of all state farms, of members of agricultural producers' co-operatives and individual peasants, of herdsman and fishermen, and of the working personnel of all economic departments of the state including industry, agriculture, water conservancy, forestry, railways, communications, posts and telecommunications, commerce, food, finance, banking, etc. are all indispensable and should be well co-ordinated in the struggle for fulfilment of the Five-Year Plan. All are engaged in a glorious task.

Workers and staff of state-owned enterprises, co-operative enterprises and state farms are not the only ones who must shoulder responsibility in reaching the targets set by the Five-Year Plan. Factory and office workers and all other personnel of joint state-private enterprises and private enterprises, members of agricultural producers' co-operatives and individual peasants, handicraftsmen and handicraft workshop employees, and the personnel of the state's economic departments, too, all have the responsibility of ful-

filling the tasks assigned them under the Five-Year Plan. The First Five-Year Plan can be completely fulfilled only when the masses of the people throughout the country fulfil their production tasks.

Industry and agriculture are the two main parts of the national economy, and workers and peasants constitute the overwhelming majority of the working people of the country. The worker-peasant alliance was the basis on which the Chinese people's revolution won its great victory. The strengthening and consolidation of this alliance under the leadership of the working class will lay the basis for the fulfilment of the First Five-Year Plan and the future victory of socialism. We must, therefore, rely on the worker-peasant alliance as the basic social force which will bring into full play all the economic potentialities of our country, and, at the same time, prepare the necessary reserves to guarantee fulfilment of the First Five-Year Plan.

As is known, none of our economic activities in industry and agriculture and other economic departments are isolated operations; they must be supported by co-ordinated work in the fields of education, culture, health, judicial and supervisory work, public security, civil affairs, foreign affairs and national defence. The services of all personnel in these fields, including that of a section of people in the fields of culture and health who are working as individual professionals, are, therefore, also indispensable for fulfilment of the Five-Year Plan. All are doing honourable work. By doing their work at their respective posts conscientiously and well, they will in effect be fulfilling their responsibilities under the Five-Year Plan. Commanders and fighters of the Chinese People's Liberation Army are shouldering the great and glorious task of defending their motherland and the work of socialist construction.

During the past few years, many model workers and pioneer workers have appeared on the fronts of industry, agriculture, transport, communications and commerce; not a few have also appeared on the cultural and educational fronts. There are also many exemplary workers in the administrative departments. This redounds to the glory of our country. Such model workers and pioneer workers should display still greater initiative and creativeness and do their work still better. They must serve as pace-setters among the masses, as key personnel, and as links between the leadership and the masses, uniting them and guiding them forward in the struggle to overfulfil the Five-Year Plan.

Scientists and technical personnel have a weighty responsibility in the struggle to fulfil the Five-Year Plan. Science and technique are urgently needed for the work of socialist construction; without them socialism cannot be realized. So, no matter what their field of work, scientific research workers, engineers and technicians should continue to raise their ideological and scientific level, bring theory into ever closer relation to practice, and pay keen attention to the connection between their research work and production. They should develop to the full the role of science and technique in socialist construction, and contribute their knowledge to the state and people.

Young people and women should take an active part in the socialist construction of our motherland. Our young people should build up their bodies, acquire cultural and scientific knowledge, learn to love work, cultivate a fine moral character and do their jobs well so that they can help build and defend their country. Women, too, should raise their level of political consciousness, fit themselves better for work in production and take an active part in national construction.

The Five-Year Plan closely concerns the people of all nationalities and all sections of society. It demands that all the country's nationalities unite still more firmly and strengthen their mutual ties and co-operation in economic and cultural affairs. Under the leadership of the Chinese Communist Party and the Central People's Government, the people of all nationalities should actively participate in the political life and economic construction of the nation in a common effort to build up our motherland. At the same time, as laid down in the Constitution, regional autonomy for the national minorities must be realized; we must work hard to foster economic, cultural and educational developments in the areas where national minorities live; we must improve their medical and health services, and the Han people must give sincere assistance, both economic and cultural, to their brother nationalities, so that the living standard of the people of all national minorities may be gradually improved. Socialist transformation among the national minorities must take into account the special features in the development of the various nationalities; the will of the people must be respected.

Owing to the special historical conditions of our country, the working class has a sort of political and economic alliance with the national bourgeoisie. During the transition period, the national bourgeoisie still plays an important part in the national economy. The duty of private industrialists and businessmen during the implementation of the Five-Year Plan is to accept control by state administrative organs and the leadership of the state economy, accept supervision by the workers, operate in a manner beneficial to the national welfare and the people's livelihood, honestly adhere to the state plan, satisfactorily fulfil state assignments and accept socialist transformation. Thus,

they will be able to perform their proper function correctly in carrying out the Five-Year Plan, and make definite contributions to its fulfilment.

Chinese resident abroad dearly love their motherland. They want it to prosper and grow in strength. The state must give attention to the protection of their proper rights and interests. At the same time, Chinese resident abroad should strengthen their unity, actively give their support to and participate in national construction.

To fulfil the Five-Year Plan smoothly, not only should there be unified national leadership as regards basic directions, policies and steps to be adopted, local state organs and Party organizations at all levels must also formulate concrete measures to attain assigned targets, particularly those having to do with agricultural production. Local state organs and Party organizations at all levels must not only shoulder responsibility for the direction of all kinds of local economic operations and cultural and educational work, they must also look after political and Party work in the factories and mines, at capital construction sites, and in economic enterprises and cultural establishments directly under the Central People's Government, which are located within the area of their jurisdiction. They must investigate the extent to which state assignments have been met by these enterprises and establishments and supervise and assist them in fulfilling state plans. Enterprises and establishments located in various parts of the country, which are directly under the Central People's Government, must follow the leadership of the local state organs and Party organizations. Any tendency to ignore local leadership must be resolutely fought and rectified. All ministries under the State Council must

place full reliance on the initiative of local leading authorities in fulfilling the state plan.

To advance our cause to victory, all Communist Party members, all personnel of state organs and enterprises should consistently improve their style of work and strive hard to overcome shortcomings and errors. There is no doubt that the overwhelming majority of our Communist Party members and personnel of state organs are serving the people industriously and devotedly. They work hard to accomplish the tasks entrusted them by the Party, the state and the people. They are able to keep close contact with the masses and conduct self-criticism. But it cannot be denied that there are certain members of the Communist Party and personnel in state organs who are resting on their laurels, and have developed very harmful attitudes of self-conceit; they are unwilling to expose and overcome shortcomings and errors in their work. They fail to go to the rank and file and give concrete leadership. Instead, they practise leadership in the abstract, working in the style of bureaucrats and paper work addicts, neglecting their responsibilities in regard to their work and to state property. There are even some such people who, for selfish ends, trumpet their own achievements, cover up errors and shortcomings in their work, and shield those who violate Party discipline and state laws. It is clear enough that if we do not wage an uncompromising struggle against these harmful tendencies, we will not be able to advance our cause, and our Five-Year Plan will not succeed. Therefore, the Party and state demand that all Party members and personnel of state organs, particularly those in leading positions, must faithfully perform their duties to the Party and state and set a good example for others. They must be diligent, frugal and hard-

working. They must work hard to master their own specialities and deepen their political understanding, achieve a grasp of the situation at lower levels, and keep close touch with the masses. They must investigate and study conditions, solve the practical problems which crop up in their work, and bring to light and overcome shortcomings and errors. They must urge and help departments under their leadership to do still better in fulfilling state assignments.

We have already started construction on a gigantic scale. But we lack experience and our technical level is not high. If we do not work diligently to master our economic and other related tasks, we will not be able to carry out our Five-Year Plan smoothly. On the one hand, we should sum up our own experience, learn as we work and improve our skills. On the other hand, we should assimilate the world's latest knowledge and adapt it judiciously to our work and production. We should learn from all our brother countries, especially from the Soviet Union and Soviet experts. People often speak of their gratitude for the aid of the Soviet Union and our other brother countries, and this is quite natural in view of the magnanimous and disinterested help they have given us. But the best way to thank the Soviet Union and our other brother countries is to learn from their pioneering experience, to master the knowledge imparted to us by their experts in the course of construction, and use it well to fulfil our Five-Year Plan. We are working today under much more favourable conditions than those which the Soviet Union faced in its early years. The Soviet Union built socialism alone, in the face of capitalist encirclement, while we have the assistance of the Soviet Union and other brother countries with their rich experience and superb technique. We should take full advantage of these

favourable conditions to learn, so that after a few five-year plans we will have accumulated a sufficient fund of experience in construction and raised our science and technique to an adequate level.

We must master the skills of economic work, and at the same time we must do our political work well. We must consistently disseminate the theories of Marxism-Leninism among the masses of the people, acquaint them with the policy of the Party at every stage, and publicize the Constitution of the People's Republic of China. All those who are in leading positions should seriously study the theories of Marxism-Leninism and the works of Chairman Mao Tse-tung, criticize and repudiate bourgeois ideology, and unceasingly raise their theoretical level so as to improve their work.

To carry out the Five-Year Plan under present circumstances means waging a special form of class struggle. Full implementation of the Five-Year Plan will bring about a tremendous upsurge in China's industry and the entire national economy; and it will weigh the scales of economic development sharply in favour of the socialist sector of the economy and against its non-socialist sector. In other words, the people's democratic dictatorship led by the working class and based on the worker-peasant alliance will be further consolidated. All this inspires and elates the nation and our friends all over the world.

The victory of the people means defeat for the enemies of the people, defeat for imperialism, defeat for the Chiang Kai-shek clique of traitors, and defeat for all anti-popular elements in their attempts to stage a come-back by counter-revolution. The enemies of the people will certainly not acquiesce in their own defeat. They will certainly use whatever means they can in attempts to wreck our Five-Year Plan. U.S.

imperialism and the Chiang Kai-shek clique of traitors are stepping up their war threats against us; undercover remnants of the Chiang Kai-shek gang on the mainland are constantly engaged in all kinds of sabotage activities; some landlords and counter-revolutionaries are taking advantage of shortcomings in our work to incite trouble; and some law-breaking capitalists are resisting socialist transformation by every means. All this goes to show that the enemies of the people will adopt various methods to undermine the Five-Year Plan, and that implementation of the plan embodies a complex and acute class struggle. People throughout the country must maintain the highest political vigilance, wipe out all undercover counter-revolutionaries and defeat every kind of sabotage directed against the Five-Year Plan by the enemies and reactionaries at home and abroad. Quite a number of people working in state organs and enterprises have not been at all alert to sabotage activities by undercover enemies; they take a light attitude to various kinds of "accidents" caused by counter-revolutionaries. This is a very dangerous tendency which should be rectified immediately. In this respect, the recent exposure of the counter-revolutionary clique led by Hu Feng was an important victory of the whole people in their struggle against counter-revolutionary conspiracies.

The Communist Party of China is the pivotal force in the guidance of our work, and the unity of the Chinese Communist Party is the core of the unity of the entire Chinese people. Under the leadership of the Central Committee of the Party led by Comrade Mao Tse-tung, the Communist Party of China has always maintained a solid and unbreakable unity. The unity and solidarity in the Party has been still greater since the Fourth Plenary Session of the Seventh Cen-

tral Committee of the Chinese Communist Party when the anti-Party bloc of Kao Kang and Jao Shu-shih was exposed and smashed. Kao Kang and Jao Shu-shih were agents of imperialism and the bourgeoisie in our Party, and the struggle against their anti-Party activities was a struggle in defence of the Communist Party, of socialist construction and communism. The smashing of the anti-Party bloc of Kao Kang and Jao Shu-shih was a great victory in the course of our socialist construction. It demonstrated the close unity of the Communist Party of China and showed that this unity would be further consolidated. The Communist Party of China will continue to heighten its vigilance to strengthen this unity; it will keep a sharp eye on and defeat the plots of the enemies at home and abroad; it will carry on a resolute struggle against all speech and action harmful to the unity of the Party; it will correct the conceit and complacency which infects certain of its members. It will rally its ranks still closer and give still more effective leadership to the nation in the struggle to fulfil the tasks of the First Five-Year Plan and the fundamental task of the state in the transition period.

Chairman Mao Tse-tung gave the following directive at the opening session of the First National People's Congress: "Our general task is to unite the people of the whole country, to win the support of our friends in all nations, to strive to build a great socialist state, and to bestir ourselves to defend peace between the nations and to further the cause of human progress."

In accordance with this directive, we must, under the leadership of the Chinese Communist Party, consolidate the unity among the people of all our various nationalities, the unity between the working class and peasantry and the people's democratic united front.

At the same time, on the basis of the solidarity of the whole Party and the entire people, we will strengthen our unity with our great ally, the Soviet Union, and the People's Democracies, adding our strength to the defence of world peace. We will also strengthen our friendly co-operation with all peace-loving countries in Asia and Africa. In accordance with the famous five principles of peaceful co-existence, our country has established relations of friendly co-operation with India, Burma and Indonesia. On the basis of these principles, we are ready to establish relations of peaceful co-operation with any country, and to expand economic and cultural ties with it so long as it has a similar desire and sincerity.

The principles of the foreign policy of the People's Republic of China are to safeguard the independence, freedom, sovereign rights and territorial integrity of our country, to uphold lasting peace among nations and friendly co-operation among the peoples of all lands, and to oppose the imperialist policies of aggression and war. We shall spare no effort in taking part in every struggle for the relaxation of international tension. The movement for peace, democracy and freedom carried on by the people in all countries in fact aids our national construction. All those who love peace, democracy and freedom should naturally help one another.

Deputies! The First Five-Year Plan of our country is a mighty plan; it will mean a first step away from our century-long history of economic backwardness; it will move our country one stage forward towards our goal of an industrialized, socialist society. As Chairman Mao Tse-tung has said: "We are now engaged in a great and most glorious task, never before attempted by our forefathers." Each one of us has a great responsibility. We lack experience, so we

must work earnestly and industriously. Furthermore, we must summon up the same spirit that we had in the past when we strove for the victory of the revolution undaunted by difficulties or setbacks.

We have the leadership of the Chinese Communist Party and Chairman Mao Tse-tung; our home and foreign policies are correct. Given unity and hard work on the part of the people of all nationalities, democratic classes, democratic parties and all patriots throughout the country, the successful fulfilment and overfulfilment of our First Five-Year Plan for Development of the National Economy is assured.

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